HEARING ON H.R. 5702—A BILL TO PROHIBIT THE TRANSFER OF VA'S HOME LOAN GUARANTY OFFICE TO ST. PETERSBURG, FLA.

HEARING

BEFORE THE

SUBCOMMITTEE ON HOUSING AND MEMORIAL AFFAIRS

OF THE

COMMITTEE ON VETERANS' AFFAIRS HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

AUGUST 10, 1982

Ser. No. 97-73

Printed for the use of the Committee on Veterans' Affairs

U.S. GOVERNMENT PRINTING OFFICE

98-521 O WASHINGTON : 1982

H761-39

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H.R. 5702—A BILL TO PROHIBIT THE TRANSFER OF VA'S HOME LOAN GUARANTY OFFICE TO ST. PETERSBURG, FLA.

TUESDAY, AUGUST 10, 1982

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON HOUSING AND MEMORIAL AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:30 a.m., in room 334, Cannon House Office Building, Hon. Marvin Leath (chairman of the subcommittee) presiding.

Present: Representatives Leath, Mica, and Sawyer.

OPENING STATEMENT OF CHAIRMAN LEATH

Mr. LEATH. The subcommittee will come to order.

The gentleman from Michigan, Mr. Sawyer, will be here shortly. But in the interest of time, we will go ahead and begin.

We meet this morning to hear testimony on H.R. 5702,[1] a bill to prohibit the transfer of the Florida Loan Guaranty Division of the Veterans' Administration from Jacksonville to St. Petersburg, Fla.

As you know, we touched on this matter in our oversight hearing on March 23, 1982. We feel it necessary to examine this matter even further today.

Before we begin, I would like to request that our witnesses, if possible, confine themselves to no more than 10 minutes in their prepared testimony. Of course, your full testimony will be made a part of the record.

Our first witness this morning is the distinguished gentleman from Florida, Mr. Bennett. Charlie Bennett is in every sense of the word a great American. No one has made a greater contribution to our Nation's national defense, particularly in the vision of regaining the sea power that we so desperately need in that defense. I salute Chairman Bennett for his long and distinguished service to this country and to this Congress. I am proud to have him as a friend and I am proud to sit on the Armed Services Committee where his guidance has been so valuable to me in my first term on that committee.

Chairman Bennett, we welcome you today to this committee.

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[1] See p. 23.

STATEMENT OF HON. CHARLES E. BENNETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. BENNETT. Thank you, Mr. Chairman. It is certainly very flattering to hear those nice things and they are reciprocated, I assure you. I am very, very grateful for this opportunity.

I am aware that ordinarily your committee has taken the position that the Administrator of Veterans' Affairs should be allowed discretion to relocate and consolidate VA offices, but I also know that you take oversight responsibilities very seriously and that you feel as I do, that Congress has an obligation to make certain that the transfer of a major VA function or the closing of a VA office should be cost effective and in the public interest.

At my request, the GAO performed a study of this move based upon a review of the Administrator's report. I ask leave that a copy of that be made a part of the record, and also some six statements from various groups, including two U.S. Senators and a Congressman or two.

Mr. LEATH. Without objection, that will be included in the record.[1]

Mr. BENNETT. The GAO report has caused the VA Administrator to revise his initial cost estimates upward by almost twice the original amounts. Specifically, when the VA said earlier that the payback for the move would occur in 1.7 years, the VA now says the payback will occur in 2.8 years. This is almost twice the original figure they provided in their report to the Congress.

The GAO report specifically states that it is not a study of the correctness of the VA's figures and judgments, but is, instead, a study of the reasonableness of the VA's report. If I may quote from the GAO report, it says "We are generally expressing our views on whether the VA's estimates are reasonable rather than correct." That is on page 2 of the report.

The lack of correctness and accuracy of the VA's report must be brought into focus. Together with three witnesses and the statements and analyses, I would like to enter into the record, I will show this subcommittee that the VA report to this Congress is a document which is both inaccurate in its assumptions and unwise in its conclusions.

The VA report is composed of statements of assumed costs and benefits which are inaccurate. The VA's original report claimed that savings would result from the move due to reductions in expenditures associated with telephone and teletype use, employee travel, excess personnel, and use of excess space. The first three components of savings constitute a mere 9 percent of the alleged savings, so the last two components—reductions in personnel and reductions in space requirements—are the significant ones.

I may say there was an article in the local paper in St. Petersburg about the tremendous difficulty of finding the space to store the material they hope they will be able to store. Of course, that storage can be made at least as economically in the Jacksonville area and be right close at hand to the actual work that is going to transpire.

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[1] The material referred to appears on pp. 29, 35.

With regard to the proposed personnel reductions, 27 positions are said to be capable of elimination. However, nowhere does the VA indicate what positions are to be eliminated, nor that they could not be eliminated just as easily in Jacksonville as in St. Petersburg. All the VA report says is, "According to the division chiefs involved, 27 * * * positions could be eliminated."

The GAO was unable to determine which positions were to be eliminated. To quote from the GAO report, "There is much uncertainty about the * * * estimates of positions to be saved due to consolidation." That appears on page 8 of the GAO report. Mr. Paul Hazlett's analysis goes so far as to state, "It is clear that the 27 employee reduction relates to reduced workload. This benefit could be achieved through layoffs or attrition without the expense of relocation."

The GAO found that the space savings claimed by the VA could be reduced 88 percent, from $180,000 to $23,000. Subsequent to the GAO report, the VA concurred in this, which is in enclosure II of the GAO report. The GAO stated in this regard, "Most of the [space] savings would result from a program of locating files in less costly space outside the [St. Petersburg] Federal Office Building, an action that could be taken irrespective of the proposed relocation." That's on page 7. I can't imagine a more damaging indictment of the accuracy and correctness of the savings figures forwarded by the VA in its report to this Congress.

The VA has failed to provide this Congress with accurate, verifiable figures to prove that any reduction in personnel or space can be made. Even the GAO, our own accounting office, has been unable to verify the accuracy of these figures.

Now let me turn to the cost side of the equation. Everyone agrees that the actual total cost of the move to the VA will be some figure greater than 1 million. What concerns me, however, and what should concern this Congress, is that the most substantial costs that will be incurred have not been mentioned by the VA. These costs are the "soft costs" referred to in Mr. Hazlett's analysis and include such costs as those associated with losing the present employees who will not make the move—for example, costs of training new employees and the costs due to lost productivity while new employees are being trained.

Most importantly, however, these "soft costs" include the costs to the citizens of Florida who are most directly involved in the day-to-day operations of the VA Home Loan Guaranty Office in Jacksonville. These citizens are the people involved in the mortgage banking and homebuilding industry in the State of Florida, as well as the employees who work each day in the Jacksonville office. This subcommittee is well aware of the opposition which these three groups have expressed against the proposed move.

I am happy to say that each of these groups is well represented at this hearing today and will be able to tell you first hand of the disastrous impact the proposed move will have on their day-to-day operations. I believe they will make quite clear how inaccurate the VA report is in its simplistic estimate of the costs associated with this move. I believe they will demonstrate to your satisfaction that the correct overall costs of this proposed move do not justify the move.

We in Congress have a duty to prohibit a move such as this—unsubstantiated, inefficient, and costly. I sincerely hope that this committee will approve this legislation and prevent the projected unwise move.

Thank you, Mr. Chairman. Are there any questions?

Mr. LEATH. Thank you, Chairman Bennett.

Our distinguished colleague and friend, Mr. Sawyer from Michigan, is here. Harold, do you want to make a few comments?

Mr. SAWYER. I am very happy to see the Congressman from Florida here——

Mr. BENNETT. We have cooperated in things before. Mr. Sawyer has helped very much in the fight against drugs in this country, for which I am very grateful.

Mr. SAWYER. I was going to say that if the Congressman is as effective in this as he was in combatting the drug importation into Florida, he will have accomplished something.

Mr. BENNETT. Thank you, sir.

Mr. SAWYER. He was the main mover, as the chairman may or may not know, in the appeal and modification of the doctrine that they call posse comitatus, which always strikes me as sounding like something that ought to bite. But it is an old doctrine that used to prohibit the military and the military forces' equipment, and even intelligence, from finding its way into the drug enforcement agencies.

Mr. BENNETT. I appreciate your good work in that as well. We worked together on that.

Mr. SAWYER. After a little hassle with some very difficult Senators, who got up and walked out on us about four or five times in the conference, we finally prevailed and got the doctrine changed. I am told by Bud Mullen, the head of DEA, that it is really going a long way now to drying up the drug traffic coming into Florida. I hope that is true and that it maintains itself.

Mr. BENNETT. I will be forever grateful for your fine work in that.

Mr. SAWYER. It was this gentleman's idea to start with. He provoked the whole hassle, as we kept reminding the Senators when they got up and walked out on us, that "Don't look at us; it's him." But he was stubborn enough and they finally knuckled under and he prevailed.

In any event, I am very glad to have you here and certainly, just because it is you, I am going to take a good, hard look at this.

Mr. BENNETT. Thank you very much.

Mr. SAWYER. I yield back, Mr. Chairman.

Mr. LEATH. Thank you, Mr. Chairman.

Accompanying Congressman Bennett today are Mrs. Sheryl Bright, president of local 1213 of the National Federation of Federal Employees; Mr. Bob Carlson, president of the Mortgage Bankers Association of Florida; and Mr. John Koelemij, vice president and secretary of the National Association of Home Builders.

Mrs. Bright, we are delighted to welcome you this morning and hear your testimony.

TESTIMONY OF SHERYL BRIGHT, PRESIDENT, LOCAL 1213, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mrs. BRIGHT. Thank you very much, Mr. Chairman.

Mr. Chairman and members of the subcommittee: My name is Sheryl Bright and I am the union president of local 1213, National Federation of Federal Employees, from Jacksonville, Fla.

I represent the Veterans' Administration employees in the Loan Guaranty and Administrative Divisions who have been told that they must move to St. Petersburg, Fla. or leave the VA. Because all of us who have careers in one of these divisions are proud of the work we do and what we have accomplished for home-buying veterans in the State of Florida, I have accepted this invitation to present our views to the members of this committee.

I would like to make one thing very clear in the beginning. I respect Carlos L. Rainwater, who is the Director of my agency. I do not challenge his right to recommend a relocation, nor do I misunderstand the reasons behind his recommendation.

This proposal comes at a time when we have to count every penny and pray that no emergency crops up to eat away what little we can put aside. No move is accomplished without expense to the individual. Very rarely are people prepared to move unless it is for a job advancement or the guarantee of future job advancement. We are being asked to give up low interest rate housing, leave our families and friends and a community that most of us grew up in.

The Loan Guaranty and Administrative Divisions have been in Jacksonville over 30 years. The employees have homes which are financed at interest rates as low as 5¼ percent. With the low interest rate and low principal balances, the employees will have large equities that will cause them problems. How many buyers in today's market will have the cash? The housing market is depressed and they will end up having to finance the equity themselves in order to get the value out of their property.

Without a sizable cash outlay on property acquired in St. Petersburg, the monthly payments for housing will cripple them financially. The principal and interest on a $30,000 house at 5¼ percent is $165.66 monthly; at 7 percent, it is $199.60; and the same house at 15½ percent is $391.36.

One of our employees who resigned because of the proposed move did so after going to St. Petersburg and searching for a duplicate of his Jacksonville home. He found an identical house by the same builder on a lot slightly smaller, but in a similar neighborhood. His home had cost $38,500 5 years ago. The St. Petersburg home was for sale at $135,000. While that may be an excellent indication of how well St. Petersburg is doing, it does not hold much hope for our employees being able to live in the homes they have been living in. It will take them years to recoup their losses and drastically high housing expenses will change their entire lifestyles.

The bottom line in this year or in any year is cutting costs wherever and whenever possible. The Veterans' Administration can save several million dollars by leaving the Loan Guaranty and Administrative Divisions in Jacksonville. The $300,000 estimated yearly savings of the move can be accomplished in Jacksonville without the additional expense. We have already reduced the

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number of Loan Guaranty employees onboard in Jacksonville, which was indicated by our survey which showed 57 percent of the technical staff would not move. The salaries of the employees who have already left amounts to more than the cost savings. Further, measures that would cut costs in Jacksonville include microfilming files to save storage space and computerizing control systems. A tremendous savings could be made in all States, including Florida, if the foreclosure of properties in VA's portfolio could be speeded up by using fee attorneys. I believe in our management personnel and I feel very strongly that they are capable of reducing expenses without spending a fortune to uproot their employees.

In any event, I cannot feel that it is consistent with President Reagan's policy of strict economic control to spend several million dollars without seriously considering whether every attempt has yet been made to cut costs without the expense and the devastation to the lives of so many VA employees.

Thank you.

Mr. LEATH. Thank you, Mrs. Bright.

How many employees are affected by this move?

Mrs. BRIGHT. When we were told last October by the newspaper that the move was going to transpire, we had approximately 147 employees onboard in the Administrative Division and Loan Guaranty Division. Right now, I believe Loan Guaranty has 104 employees and I believe 16 to 20 in the administrative section. Loan Guaranty has lost 18 employees so far since last October.

Mr. LEATH. These left because of the proposed——

Mrs. BRIGHT. Yes, sir. They are accepting other jobs. We have only had one that quit with no other job to go to. The rest of them have just been looking until they found something. They either accepted jobs with other Government agencies or they went private.

Mr. LEATH. How many of the remaining employees do you think would actually move?

Mrs. BRIGHT. That will depend entirely on what happens this coming October. We hear that the Department of Defense will be hiring at some of the local bases. We also hear that the Internal Revenue Service is going to be prepared to pick up some people in the new fiscal year.

Some of our technical staff have enough accounting background with college degrees to be able to go with them. I would say right now—there was a survey taken about 3 weeks ago that showed about 49 employees were undecided, 18 said they definitely wouldn't go, and 46 or 47 said yes, they probably would go.

Mr. LEATH. Mr. Sawyer.

Mr. SAWYER. I have no questions.

Mr. LEATH. Thank you, Mrs. Bright. We are delighted to have your testimony this morning.

[The prepared statement of Mrs. Bright appears on p. 41.]

Mr. LEATH. Mr. Carlson. As I said earlier, Bob Carlson is the president of the Mortgage Bankers Association of Florida. Mr. Carlson, we are delighted to welcome you this morning. You may proceed.

STATEMENT OF ROBERT M. CARLSON, PRESIDENT, MORTGAGE BANKERS ASSOCIATION OF FLORIDA

Mr. CARLSON. Mr. Chairman, members of the subcommittee, I appreciate the opportunity to appear before you. I am Robert M. Carlson, president of the Mortgage Bankers Association of Florida. I represent 65 lenders in the State of Florida that service mortgages in excess of $11 billion, of which $8 billion are residential loans.

While studying the relocation of the Loan Guaranty Office from Jacksonville to St. Petersburg, emphasis has been placed on demographics. Studies have been made on where veterans live in the State of Florida, growth patterns within the State, and where mortgage bankers have their home offices.

The physical location of the VA office is irrelevant. It does not matter where the loan guaranty office is located. It does not matter if it is in Jacksonville, St. Petersburg, or Miami. According to statistics, there are more veterans living in southeast Florida than in any other part of the State. This, however, does not warrant moving the office to Miami.

I personally have been working with the VA Office in Jacksonville for over 20 years, and my present office is located in Jupiter, Fla., which is 280 miles south of Jacksonville. The distance factor is of no consequence.

To further emphasize this point, the Mortgage Bankers Association of southwest Florida, which encompasses St. Petersburg, Tampa, and Clearwater, just passed a resolution on August 2, 1982, in support of the Loan Guaranty Office staying in Jacksonville. Even though it would appear that the members of the Mortgage Bankers Association of southwest Florida would gain the most by having the loan guaranty office in their backyard, they feel this is not the case. They are more concerned with the loss of trained personnel and the fact that veterans in the State of Florida would not be better served. Their letter to me is a part of this record.[1]

The Mortgage Bankers Association of Florida feels that the most important factor at hand is the dramatic disruption of the VA home loan guaranty program throughout the State of Florida because qualified personnel presently in the Jacksonville VA Loan Guaranty Office will not be willing or able to transfer to St. Petersburg.

The VA office opened their doors in 1946, and they have an outstanding record of service. They have been one of the top five loan guaranty offices in the United States for a number of years. They have out-produced larger offices such as Los Angeles, San Francisco, Denver, and Waco, Tex. The performance standards of the management, technicians, and support personnel all received high marks. It does not make sense to me or the members of my association that it will be wise to break up a winning team. A 50-percent reduction of personnel in any organization, whether it be corporative, sports, or a Government agency, will take years to rebuild.

It has been suggested that by consolidating the two VA offices there could be a utilization of St. Petersburg personnel. On the surface, this sounds good. But in reality it is misleading. To be a quali-

[1] See p. 43.

fied credit examiner, a person must have a minimum of 5 year's experience. The same 5-year experience factor is required for qualified technicians in the construction and valuation department. I question the success the VA would have in finding qualified people to replace the personnel who will not transfer in any new area.

We realize that right now new loan activity is at an all-time low. However, with the contemplated decline in interest rates, and the pent-up demand for housing, the experts all agree that Florida will experience another housing boom when interest rates become affordable. This is another reason that the expert team currently assembled should remain intact.

Under the present system of operation of the loan guaranty office, lenders have accessibility to VA personnel. Their open door policy makes it possible to visit with them to discuss loan problems which results in efficient service, and the veteran is the one who benefits. It is our understanding that management in the St. Petersburg office has a philosophy of no visitors and limitations on telephone calls. We believe this will have a great adverse effect on the loan guaranty program in Florida.

The Mortgage Bankers Association of Florida agrees with President Reagan's budget cuts and his objective of a balanced budget. We are concerned with the cost effectiveness of the move due to a combination of the expenses of the initial move itself, along with the apparent higher cost of operations, such as cost of living, higher wage base, office space rental, et cetera.

This whole situation was summed up best by the homebuilders in Florida—"If it's not broken, don't fix it."

I thank you for permitting me to testify and I will try to answer any questions you may have.

Mr. LEATH. Thank you, Mr. Carlson, for your excellent testimony.

Mr. Sawyer?

Mr. SAWYER. I don't have any questions.

Mr. LEATH. Thank you, Mr. Carlson.

[The prepared statement of Mr. Carlson appears on p. 42.]

Mr. LEATH. Mr. Koelemij. As I said earlier, John Koelemij is vice president and secretary of the National Association of Home Builders. John, we are delighted to welcome you back here again this morning.

STATEMENT OF JOHN J. KOELEMIJ, VICE PRESIDENT AND SECRETARY, NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. KOELEMIJ. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, my name is John Koelemij. I am a builder from Tallahassee, Fla., and I am here today representing the Florida Home Builders Association, affiliated with the National Association of Home Builders, of which I serve as vice president and secretary.

The full statement has been submitted to the committee and I respectfully request that that be made a part of the record.

Mr. LEATH. Without objection, it will be totally included.

[The prepared statement of Mr. Koelemij appears on p. 43.]

Mr. KOELEMIJ. I would like to express in the strongest possible way our opposition to the proposed move of the Florida Veterans' Administration Loan Guaranty Office from its present location in Jacksonville to the home of the VA Benefits Office in St. Petersburg, Florida. We support Congressman Bennett's bill, H.R. 5702, to prohibit this unnecessary and unwarranted move.

I would also like to note that both Florida Senators are in opposition to this relocation, showing that this view has bipartisan support.

Mr. Chairman, I and other opponents of the move, who include persons from all geographic locations in Florida, question the dollar savings projected from this move and must question even more strongly whether any dollar savings would offset the needless disruption that is going to take place in this highly successful program if its location were changed. I have attached to my full remarks a resolution adopted by the Executive Committee and the National Directors of the Florida Home Builders Association protesting this relocation.[1]

Before presenting my arguments against the move, let there be no mistake as to how important the VA housing program is to the veterans in Florida. Our State has a large and growing veterans population and housing statistics compiled by the Florida Home Builders Association indicate that on the average one in every four new mortgage loans made in Florida each year is guaranteed by the Veterans' Administration.

Although we have seen some drop on guaranty activity because of high interest rates, there is no reason to believe the guaranty program will not continue to be a major factor in Florida housing. In fact, veterans and other buyers are particularly dependent on FHA-insured and VA-guaranteed loans in times of a housing downturn because of their fixed interest rates and low downpayment features.

There are six major arguments why the industry I represent believes that you should not authorize the proposed move of the VA Loan Guaranty Office from Jacksonville to St. Petersburg. First, there is no need to move the office from a performance standpoint as the Jacksonville office is doing a superlative job at serving the housing consumer, and has been doing it for the past 30 years.

Second, there is absolutely no credence to the thought that the veteran home buyer in Florida could be better served if the office were in St. Petersburg.

In a June 24, 1982 letter to Congressman Bennett, the White House conceded—and I quote—"The day-to-day operation of the Loan Guaranty Division is conducted almost totally by mail and telephone. Actual visits to the office are infrequent and, almost without exception, could be handled more efficiently by mail."

The veteran home buyer is served by local lending institutions in the areas in which the buyers live. It is the lender who deals quite easily and effectively with the main VA office in Jacksonville. The veteran housing population demographics is totally irrelevant as a reason to support this move.

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[1] See p. 46.

Third, because of the presence of the VA Loan Guaranty Office and the regional office of the Federal Housing Administration in Jacksonville, that city has developed into a center for major mortgage banking operations. The main offices of your lending institutions are also located in Jacksonville.

Many builders and lenders come to Jacksonville frequently to conduct their business with VA and FHA on a common trip. Many builders who build under VA housing programs also build under FHA. This proposed move could mean doing business in separate cities and would have a detrimental effect on both homebuilders and home buyers. I feel that moving the VA office to St. Petersburg would adversely affect the number of builders who deal with the VA.

Fourth, this proposed move will serve to disrupt an excellent VA staff that has developed a high level of technical expertise over many years, expertise that cannot be easily replaced.

For example, the average employment span of an underwriter at the VA is 14 years. The average appraiser at the VA has been on the job 10 to 15 years. The average construction analyst, who does very important work in the area of subdivision analysis and plan review, has been on the job some 20 years.

The veteran home buyer in Florida deserves this level of experience, but he is going to lose it if the move takes place. We have evidence that already the Jacksonville Guaranty Office has lost 18 persons since the proposed move was announced late last year, and there are indications that over one-half of the current VA staff will not make the move. We not only lose their technical knowledge and expertise, but additional costs to the Government are incurred through severance pay, early retirements, and unemployment compensation.

No. 5, on the matter of cost savings related to this proposed move, I believe, Mr. Chairman, that everyone must agree that many of the reports are contradictory and that the methods of arriving at the final cost savings figures are highly questionable.

The General Accounting Office has determined a $1.3 million figure as the cost of the move, but our research indicates that a number of other cost factors have simply not been considered, such as retraining personnel and renovating and leasing office space.

Mr. Chairman, the final number from GAO on annual cost savings was $389,000. Again, we question this figure and respectfully request that we not engage in the false economy of spending a million dollars today for a move that truly has highly questionable cost savings in the long run. Why disrupt a highly effective housing program for a cost savings that could prove marginal?

And finally, Mr. Chairman, I think we should look more specifically at the service we are likely to get from the Guaranty Office if it is moved to St. Petersburg. VA guaranty personnel would have to divide up their responsibilities between the guaranty program and the other benefit programs.

I believe that this has come about because of an over-staffing situation at the main VA office at the present. I surely hope that we are not disrupting a successful program with great service because of some staffing excesses in another part of VA. That would be a tragic mistake.

Mr. Chairman, I submit to you that this overlapping of responsibilities is the first indication that the veteran home buyer will be shifted to the back burner here in Florida.

In closing, Mr. Chairman, I would like to emphasize that just about everyone agrees that relocating the Jacksonville office is a bad idea and now your committee holds the last opportunity to prevent the move taking place in October. Please do not disrupt the excellent service that has been afforded the veteran home buyer in Florida, and most important, do not try to fix something that isn't broken.

On behalf of the Florida Home Builders Association, I strongly urge you to oppose the proposed move of the VA Loan Guaranty Office from Jacksonville to St. Petersburg.

Mr. Chairman, thank you for the opportunity to testify before you.

[The statement of Mr. Koelemij appears at p. 43.]

Mr. LEATH. Thank you, John, for an excellent statement. We are delighted to have you here this morning.

I have a communication from the Jacksonville Chamber of Commerce supporting this bill and, without objection, I ask that this communication be made a part of the record at this point.

[The information appears at p. 39.]

Mr. LEATH. Mr. Sawyer, do you have any questions?

Mr. SAWYER. Just one.

Approximately how far is it from Jacksonville to St. Petersburg?

Mr. KOELEMIJ. I would guess it's about 200-some-odd miles, Mr. Sawyer.

Mr. SAWYER. Just so I get reoriented here, St. Petersburg is over on the west coast, isn't it, south and west of Tampa?

Mr. KOELEMIJ. Yes, sir.

Mr. SAWYER. Across the Sunset Bridge or whatever, fairly near?

Mr. KOELEMIJ. Yes, sir, that's correct.

It doesn't have a very good air connection, but I am not trying to downgrade St. Petersburg. That has nothing to do with it, really. This was not in my testimony—but as a homebuilder, I can testify to the fact that with the frequent changes we have experienced in the Federal Housing Administration and, since the VA has adopted a like set of rules for submitting plans, many of our builders would submit plans to the VA, get their appraisal and get underway in building before they transfer their loans, when an approved buyer comes along, to an FHA loan. This is possible because the Jacksonville Guaranty VA Office is absolutely an outstanding office and we are going to lose these people. That is what our fears are.

Mr. SAWYER. Thank you. That's all I have.

Mr. LEATH. Thank you, Mr. Koelemij.

Mr. KOELEMIJ. Thank you very much.

Mr. LEATH. Our next witness is the distinguished gentleman from St. Petersburg, Fla., Congressman Bill Young. Bill, we are most happy to have you here this morning and I would suspect that you have a different story.

Mr. YOUNG. Mr. Chairman, I wonder if I might inquire as to your desire relative to the vote that we have in the House.

Mr. LEATH. I would suggest that we call a brief recess and go vote and come back, if that would be agreeable with you and Mr. Sawyer.

Mr. YOUNG. That is certainly agreeable with me. I'll follow your lead on that.

Mr. LEATH. All right. The committee will stand in recess then for about 10 minutes.

[Whereupon, the subcommittee was in recess.]

Mr. LEATH. The subcommittee will come to order.

As I said before our break for the vote, our next witness is our distinguished friend and colleague from St. Petersburg, Mr. Bill Young. I am sure that Bill has another side of this coin that he wants to tell us about this morning.

We welcome the distinguished gentleman from Florida.

STATEMENT OF HON. C. W. BILL YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA, ACCOMPANIED BY CARLOS L. RAINWATER, DIRECTOR, VA REGIONAL OFFICE

Mr. YOUNG. Mr. Chairman, thank you very much. It is great to be with you. As a member of the appropriations subcommittee that funds the programs you authorize, it is always nice to work with you, whether it is in the committee or on the House floor.

I am happy to have an opportunity again to testify on this particular subject, which may win the award of having more hearings than any other subject in the 97th Congress. But I think that is fine. It is appropriate that we know exactly what we are doing.

I would like to say, Mr. Chairman, before going into any of the facts in my statement, that I hope no one thinks this is a political move. There is no political advantage in this to me—this move to St. Petersburg. By the same token, I don't see any political disadvantage to my colleague, Mr. Bennett, in Jacksonville. I have to say I am not pleased being in opposition to something that Charlie Bennett is for because he and I are such good friends and have been for such a long time.

But as we look through the Veterans' Administration budget on the Appropriations Committee, we think $1 million is a lot of money. We think $100,000 is a lot of money. We work that close on some of those budgets.

Now, whether you agree to the figures as presented by the Veterans' Administration as to how much this move will ultimately save, or whether you agree with the figures as presented by the General Accounting Office, the fact is that both of them have indicated—and I think confirmed beyond a doubt—that there will be a considerable savings. If we can save a few dollars for the taxpayer, I think that is important.

My good friends from the mortgage banking industry testified this morning. My good friends from the contractors and builders association testified this morning. My good friends from the Federal employees union testified this morning, as to their interest and their concerns and reasons why they are opposed to this move. Well, Mr. Chairman, I would like to say a word on behalf of the veteran, the person that we are serving in Florida and throughout the United States. I would like to say a word about the demograph-

ics of where the veterans live in the State as related to Jacksonville, St. Petersburg, Miami, Tallahassee, or whatever.

I would like to submit this chart, if I might, for your record, which establishes the demographics and shows where the center of the veterans population is in Florida.[1] It happens to be right in the Tampa Bay area. We are getting some 5,000 additional veterans into the State of Florida every month, and we are proud and happy to have them, and we want to serve them. We serve them well from the VA regional office in St. Petersburg, Fla. I think they have an outstanding record of providing good service to the veterans of Florida.

Now, the veteran is going to continue to have this good service, and it is possible it may even be improved. I don't know that that is a big issue, but I can certainly tell you that the service will not be degraded. The service will be at least as good as it is presently, and very likely better. I can rely on a little history for you to establish that point.

It was only a couple of years ago when a move similar to this in reverse occurred. The regional office for Housing and Urban Development's loan activities is in Jacksonville, Fla. The FHA insuring office was in Tampa, Fla. The Carter administration decided that it would be appropriate to move that FHA office from Tampa back to the headquarters of the regional office. Those of us who come from the Tampa Bay area, we didn't like this. We didn't feel that it was in our best interest and we didn't think it would serve the people of our area very well. But the administration sat down with us and showed us how it would save money and that there would be no degradation of service to the person applying for the loan.

Well, that branch office was taken from Tampa and it was established in Jacksonville, and I hope that they have saved the money they said they were going to save. But it hasn't hurt the service, and no one is really unhappy about that. We didn't object to that move and we didn't introduce any legislation to stop the move. We just assumed that if it was possible to save a couple of dollars that we should go ahead and save those dollars.

Now, I mentioned the mortgage bankers and I mentioned the employees union and I mentioned the contractors and builders. I want to mention someone else. I want to mention the veterans. I would like, Mr. Chairman, to have your permission to insert into the record at this point a letter from the Disabled American Veterans Department of Florida, signed by their commander, Mary Schwartz, urging strong support for this move.

Mr. LEATH. Without objection, the letter will be included.[2]

Mr. YOUNG. Thank you, Mr. Chairman.

Also, Mr. Chairman, I would like to submit for the record—and this goes back to my comment that there is no way this could be considered political—the Department of Administration of the State of Florida, the Division of Veterans' Affairs—this is an organization that performs a great service to America's veterans living in Florida—this letter is signed by Robert Erskine, who is the Director of the Division of Veterans' Affairs of the State of Florida. I

[1] See p. 28.
[2] See p. 24.

would say to you that Mr. Erskine and the people that work with him are appointees of our Governor, Governor Bob Graham. Were there anything political about this move, I doubt that this letter would be here.

I ask permission that this letter also become a part of your record.

Mr. LEATH. Without objection.[1]

Mr. YOUNG. In addition, Mr. Chairman, I have a letter from Carlos Rainwater, who is the Director of the VA regional office, and I would like to tell you that Mr. Rainwater is a career employee who has been of great service to the veterans in Florida for many, many years. Mr. Rainwater has an outstanding record of service to the veteran.

He has provided me with some statistical information that I would also like to have become a part of the record at this point.

Mr. LEATH. Without objection.[2]

Mr. YOUNG. Mr. Chairman, the question of how many employees are willing to move to St. Petersburg is statistical. We have information as to how many said they would, how many are not going to, and also I mentioned the question of the dollars, the cost figures, how much will the move cost, how long will it take to recoup the cost, and when will we start to show a profit for the taxpayer.

Mr. Chairman, earlier at another session I made sort of a tongue-in-cheek offer to those people who were opposed to the move, and I would like to state it again today for you and for the members of this subcommittee.

If the Mortgage Bankers Association and the contractors and builders are willing to come up with the extra dollars that it is going to cost to keep this office in Jacksonville, I wouldn't have any big problem with that. But as long as we have an opportunity to save a couple of hundred thousand dollars a year, or a half-a-million dollars a year, for the American taxpayer, I have got to come down strong on that side of the issue. But again I say, and somewhat facetiously, that if they really want to keep the office in Jacksonville, why don't they find a way to come up with the additional funds so the taxpayer at least gets a fair shake?

Thank you very much, Mr. Chairman, for allowing me to be here this morning.

Mr. LEATH. Thank you, Mr. Young. We are delighted to have your excellent testimony.

Mr. Sawyer, do you have any questions?

Mr. SAWYER. Yes. You know, I have been a little perplexed by where all this saving is coming from. As I read the GAO report, I am not that sold that there is all this amount of savings involved.

First of all, as I understand it, the office space saving, which they put at $170,000, just using round numbers, somewhere in that area, almost all of that comes from storing files in some less expensive facility outside, which the GAO points out they could do where they are just as well as they could do it if they moved to St. Petersburg. Therefore, they knock that $170,000 down to at the most about a $20,000 saving, if that.

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[1] See p. 25.
[2] See p. 26.

And then they talk about personnel savings, and by the time they get finished with that, it is nebulous, really, whether there is any or not.

What do you have to say about that?

Mr. YOUNG. I think it is going to depend on whether you place any credence at all in the GAO. Now, the GAO figures—and I will be glad to sort them out here for you—they did this at the request of Congressman Bennett—the GAO said that this move would result in a substantial savings to the Government. The GAO concluded that the move would take a total of 3.4 years to pay for itself, where the VA said it would only take 2.8 years. I admitted early on that there is a difference between the figures.

Mr. SAWYER. But their numbers are very nebulous. They end up saying that the biggest saving is in personnel cost——

Mr. YOUNG. That's correct.

Mr. SAWYER. And they end up saying that this saving one-half a staff person here or there in a year is pretty nebulous and they can't really verify it or refute it. They, therefore, kind of accept it and go along with it, but they knock a lot of it out. But they don't really validate any of it as I read it.

Mr. YOUNG. Well, they give me a number of 23 people. Twenty-three people, just from the standpoint of those expenses, runs into a lot of money.

Mr. SAWYER. How would they eliminate 23 people just from moving from one location to another? As a matter of curiosity, how would they do that?

Mr. YOUNG. I would better respond to that by asking Mr. Rainwater to answer that, because Mr. Rainwater developed the figures that the VA is using.

Mr. SAWYER. Yes, but you obviously are acquainted with this and it would seem to me that's a fairly simple question, because that is one that has bothered me. How, by moving from one city to another, do you eliminate 23 jobs?

Mr. YOUNG. You eliminate considerable duplication in the services that are performed.

Mr. SAWYER. In what way?

Mr. YOUNG. Well, just hold on a second and I will get it for you. There are services that are being performed in Jacksonville that will be performed in St. Petersburg. There are also regional office employees in the city of St. Petersburg who would fill in voids and take on additional responsibilities when they were needed. The figure of 23 employees, whether your accept it or not, is the figure that has been agreed upon by the VA.

Mr. SAWYER. If they have excess employees in St. Petersburg, which apparently they must have, if they are capable of taking on 23 jobs that are now being done in Jacksonville, why can't they just eliminate 23 people in St. Petersburg and save just as much money?

Mr. YOUNG. I think you will have to ask Mr. Rainwater about that. He is the manager there and I am sure he can give you a very specific answer on that.

Mr. SAWYER. Well, I thought you were advocating a position here and I assumed you would know what the answer was, too.

Mr. YOUNG. That is exactly correct, and I would respond to you, Mr. Sawyer, based on what Federal installations there are in your district, how many people are there in those installations that aren't needed, that could be RIFed, that could be done away with?

Mr. SAWYER. I don't know, but I'm not planning on moving any in or out. But if I was appearing before your committee to advocate them moving in or out on the basis that it saves 23 jobs, I presume I would know how they're going to save the jobs. That's what doesn't appear clear to me. I don't understand it.

If they have 23 people excess over in St. Petersburg who can take on and do, in addition to whatever they're doing, 23 jobs that are being done over in Jacksonville, why can't you avoid this whole mess by just eliminating 23 jobs in St. Petersburg?

Mr. YOUNG. I'll tell you what I'm going to do. I am going to get you the specific answer to your question.

Carlos, would you come up and respond to that question?

This man runs the VA; I don't. He can tell us exactly how they developed those figures, and if you want to agree with them, fine; if you don't, that's your prerogative. But let's hear what the man says.

Mr. SAWYER. I'm not agreeing or disagreeing. I am just confused because it is difficult for me——

Mr. YOUNG. We are going to take care of your confusion now, Congressman. I can understand how confusion can reign supreme around here. We are going to take care of your confusion right now.

Mr. SAWYER. Thank you.

Mr. RAINWATER. Good morning, Mr. Chairman, Mr. Sawyer.

Mr. SAWYER. Good morning.

Mr. RAINWATER. I am Carlos Rainwater, Director of the VA regional office in St. Petersburg.

As I understand your question, your concern is how could positions, whatever that figure is, either GAO's figure or the VA's figure or something between, how could any positions be eliminated.

Mr. SAWYER. Is 23 the right number?

Mr. RAINWATER. That's GAO's number; yes.

But we have primarily service sections who actually service the technicians who are doing the work in the Loan Guaranty Division. We have people who do typing work, clerical work, filing work, run a teletype system and a messenger system. Primarily, those are the kinds of people who are, in fact, duplicating the services of employees who could take up that slack in St. Petersburg.

Quite frankly, our operation is a bit more effective in St. Petersburg. We can take up the slack. We know exactly how many people it will take to run that Loan Guaranty Division in St. Petersburg, and that happens to be about 90 people. That is still less than we have onboard now. So primarily it is in duplication of services, as Congressman Young said—file room, teletype, the telephone system, and those kinds of support services, not particularly the technical services.

Mr. SAWYER. If we are duplicating this service, why don't we just stop duplicating it?

Mr. RAINWATER. Because it is 225 miles away, sir.

Mr. SAWYER. Why do you have to do it twice? That's what I don't understand.

Mr. RAINWATER. Because the Loan Guaranty Division is 225 miles away. We can't store the files in St. Petersburg and deliver them 225 miles away to Jacksonville. We have to run a separate file room. We have to run a separate typing pool.

Mr. SAWYER. Are there people in St. Petersburg that have sufficient spare time to take on 23 jobs that are being done in Jacksonville now?

Mr. RAINWATER. At this particular moment, with the technology and facilities we have available, yes, we can handle it with 23 less people.

Mr. SAWYER. Why don't you just reduce 23 people over in St. Petersburg; that's what I don't understand.

Mr. RAINWATER. That is not possible. We have to run the services in St. Petersburg, also.

Mr. YOUNG. Mr. Chairman, if the gentleman would not be offended, I would like to say it appears to be nitpicking at this point in that regard.

Mr. SAWYER. Well, nitpicking, this is the main reason for moving that I'm talking about, according to what the GAO says. I assume it isn't nitpicking or we wouldn't be doing it.

Mr. YOUNG. You see, there are 525 VA employees there, some of them doing the same things that are being done in Jacksonville.

Now, when the move is completed, some of those people in St. Petersburg that are doing the same thing that some of the people in Jacksonville are doing aren't going to have to do the same thing. You are going to coordinate and consolidate and you don't need those extra 23 people. Now, I don't know if 23 is accurate or not. That's the GAO's figure.

What is your figure, Carlos?

Mr. RAINWATER. Twenty-seven.

Mr. YOUNG. It's 23 or 27. All of the figures are ballpark between GAO and the VA.

Now, what we are saying is there is a job being done in one location that is also being done at the other. We are going to consolidate them and do them all in one location.

Mr. SAWYER. I yield back, Mr. Chairman.

Mr. LEATH. Thank you, Mr. Young, and Mr. Rainwater.

Mr. YOUNG. Thank you, Mr. Chairman, and Mr. Sawyer.

Mr. LEATH. Mr. Mica?

Mr. MICA. Mr. Chairman, I have another committee in progress at this time, as most members do.

Mr. LEATH. We would be delighted to hear from you at this point.

Mr. MICA. If I may just make a comment, I would like to commend both of our Florida Congressmen, Congressmen Bennett and Young, for their interest in this, and also you for having this hearing. It is important to us in Florida. As I have said many times, Florida is the leading growth State for veterans in America. What happens in Florida is a future event for the rest of the Nation.

Now, we will experience the same types of problems, be it changes in the locations of facilities or be it the need for massive new infusions of money in medical treatment and care facilities. I think the interest expressed by Congressmen Young and Bennett

have to do with the interest of serving the veterans in Florida, and to have this hearing to allow our committee to listen to this information and then make a judgment I think is most helpful to us.

Thank you, Mr. Chairman.

Mr. LEATH. Thank you. Mr. Mica, we have heard you make that statement every time this committee meets and it certainly doesn't fall on deaf ears. We are delighted to have you here and your interest.

Mr. MICA. Thank you, Mr. Chairman.

Mr. LEATH. Miss Starbuck, we are delighted to welcome you here this morning. You may proceed. As you know, if you care to summarize your statement, you may, and we will include your entire statement in the record.[1]

STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION, ACCOMPANIED BY JAMES KANE, OFFICE OF GENERAL COUNSEL; CARLOS L. RAINWATER, DIRECTOR, VA REGIONAL OFFICE, ST. PETERSBURG; AND RAYMOND BRODIE, CENTRAL OFFICE LOAN GUARANTY SERVICE

Ms. STARBUCK. Thank you, Mr. Chairman, and good morning.

The gentleman on my right is Mr. Jim Kane of our General Counsel's Office. You have already met Mr. Rainwater. To his left is Mr. Ray Brodie of our Central Office Loan Guaranty Service.

I am very pleased this morning, Mr. Chairman, to appear before you to provide you with the views of the Veterans' Administration on H.R. 5702, a bill which would prohibit the transfer of the Florida Home Loan Guaranty Division from Jacksonville to St. Petersburg, Fla.

Mr. Chairman, the Veterans' Administration opposes the enactment of this legislation. On February 8, 1982, in accordance with section 210(b) of title 38, United States Code, the Administrator of Veterans' Affairs notified the appropriate committees of the Congress of VA's plans to move the Loan Guaranty Division from Jacksonville to St. Petersburg, Fla.

The Florida Regional Office is in St. Petersburg, while the Home Loan Guaranty Division is in Jacksonville. This relocation will serve to improve service to veterans residing in central and south Florida, the State's largest concentration of veterans, without reducing the level of service to the Jacksonville area. Of the total veteran population in Florida, less than 15 percent is within commuting distance of Jacksonville, while one-third of all veterans residing in the State are within commuting distance of St. Petersburg.

Additionally, this 200-mile separation requires VA to fund duplicate systems and positions to support the Jacksonville operation. The relocation will improve management's ability to allocate regional office resources in response to fluctuating workloads. The distance to Jacksonville makes it impractical to transfer resources to accommodate the short-term fluctuations in workloads. As a

[1] The prepared statement of Miss Starbuck appears on p. 47.

direct result, the Loan Guaranty Division frequently experiences severe overstaffing or understaffing.

Being located at the regional office will give the Loan Guaranty Division direct access to VA's Target system. This will improve, among other things, the office's debt collection capability.

Mr. Chairman, the VA's original study concluded that the move would save the Veterans' Administration $589,188 per year. It was estimated that the total cost for the relocation would be $998,210, which equates to a payback period of 1.7 years. The relocation costs net of savings are included as part of the President's 1983 budget.

Since our original study was completed the proposal has been reviewed twice by the General Accounting Office. In its final report, which was dated July 21, GAO concluded that although it is their opinion the VA may have overstated the savings associated with the proposed move, the move would result in savings to the Government.

Action to carry out the relocation is planned to begin October 1. The four sections in the Loan Guaranty Division will be divided into three subelements. Subelements of each section will then be moved at separate times to insure program continuity. Five Loan Guaranty Division employees will be left permanently in Jacksonville to perform field work and provide service to the area. The Jacksonville employees who would be affected were notified in February 1982 of the proposed move.

We are well aware that asking employees to relocate will cause some hardships. I assure you that we will do everything possible to make the move as easy as possible.

A recent survey indicates that at a minimum 67 percent of the technicians and 93 percent of the supervisors will relocate to St. Petersburg. Since the move will be for the "convenience of the Government", the employees will be entitled to payment of up to 30 days in temporary quarters, payment of the cost to move household goods, reimbursement of some fees associated with buying and selling real estate and other miscellaneous costs.

In addition a task force of St. Petersburg community representatives will help make the move and the transition as easy as possible.

On July 15, 1982, the executive director of the St. Petersburg Area Chamber of Commerce, along with four members of the chamber, presented a seminar to the Loan Guaranty Division employees covering a general description of St. Petersburg, the school system, the quality of life in St. Petersburg, and an overview of the St. Petersburg economy, with special emphasis on jobs for spouses of relocating employees.

Employees electing not to relocate will be eligible for severance pay, payment for accrued annual leave, and unemployment compensation in accordance with the laws of the State of Florida. We also plan to assist those who cannot move in finding appropriate employment with the Federal Government in the Jacksonville area. Jacksonville has a large concentration of Federal jobs, primarily in the Department of Defense, and the potential for continued employment is excellent for those who are unable to move to St. Petersburg.

In conclusion, Mr. Chairman, we feel it appropriate to ask "What will all this mean?" In the short term, we believe there will be some minor disruption of service while the move is in progress. However, loan guaranty operations will not be closed down for even 1 day. In the long term, service to veterans, lenders and other program participants will improve at a reduced cost to the taxpayer.

For the reasons stated, Mr. Chairman, the Veterans' Administration opposes enactment of this legislation.

This concludes my prepared remarks. I will be pleased to respond to any questions you may have.

Mr. LEATH. Thank you, Miss Starbuck. As usual, you did an outstanding job. I have a few questions I would like to put to you.

You have read, of course, the latest GAO report on this move?

Ms. STARBUCK. Yes, Mr. Chairman.

Mr. LEATH. It says, as was pointed out in previous testimony, that the GAO has some disagreement with the figures which the VA used in order to arrive at this decision.

On reflection and post-analysis of your figures and theirs, have you or the VA revised any of the estimates you made originally?

Ms. STARBUCK. There were some revisions, Mr. Chairman. In its study, the GAO basically supported the position of the VA. There were differences in the time required for the savings realized to exceed the expenditures that would be incurred. It is true that we had estimated a payback period of 1.7 years and the GAO upped that estimate to 3.4.

Specifically, we didn't feel the $260,000 addition as a cost of early retirements was appropriate, since the cost was not paid by the VA but through the civil service retirement system. We may have been a little remiss in that because it is, in effect, a cost to a Federal dollar system.

We had no figures available to us on the average cost of relocation and we have accepted the figure provided by the GAO, which is $10,000 as opposed to our higher figure of about 13.6. Either one of them I think could be proven correct. In actual experience, since any study that is made is, in effect, a photograph of a point in time, the costs that are associated with this are variable from time to time.

Mr. LEATH. Do you have any doubt that your projected savings are going to be realized?

Ms. STARBUCK. Sir, I believe we are on solid ground on that and that there will be eventual savings within a reasonable timeframe to the Federal Government.

Mr. LEATH. How many employees have indicated they would move from Jacksonville to St. Petersburg, of the existing approximately 120 or so that you have left?

Ms. STARBUCK. Mr. Chairman, we had——

Mr. LEATH. Excuse me, Miss Starbuck.

Chairman Bennett, I know you want to leave for that vote. I will join you over there shortly.

Mr. BENNETT. Yes, Mr. Chairman. We did get some testimony here, some letters, if I could get them in the record I would appreciate it.

Mr. LEATH. Yes, sir, we would be delighted to do that.

Mr. BENNETT. I think I had better leave to vote.

Mr. LEATH. Thank you very much.

OK, Miss Starbuck. Excuse me.

Ms. STARBUCK. We believe, from inquiries to the employees, that about 67 percent of the technicians who are on board in Jacksonville and 93 percent of the supervisors will relocate. There is, of course, a group of employees who are indecisive as to what they will do, and their decisions probably won't be made until a later deadline. But we are confident that the number of people who have agreed to move will provide continuity in the program.

Mr. LEATH. I would observe that this is one of the tragedies in a situation such as this, to take dedicated Federal employees and uproot them, so to speak. So I would hope, if it does, in fact, come to pass, that the agency would do everything possible to help them.

Ms. STARBUCK. Mr. Chairman, we take very seriously the impact that such a proposal does have on individual employees. We realize it is career threatening and it puts them in the position of making some very hard decisions about their particular lifestyle and future. We are not unaware of those concerns and we will try to ameliorate any impact to the extent that we possibly can.

Mr. LEATH. Again, thank you, Miss Starbuck. That will be all the questions this morning.

I do want to thank Mrs. Bright and Mr. Carlson and Mr. Koelemij and, of course, Miss Starbuck, and our two distinguished colleagues from Florida, Chairman Bennett and Bill Young, for their outstanding statements here this morning. The committee, of course, will continue to look at this situation and hopefully arrive at a prayerful decision on it.

Ms. STARBUCK. Thank you very much, Mr. Chairman.

Mr. LEATH. The committee stands adjourned.

[Whereupon, at 10:50 a.m., the subcommittee was adjourned.]

98-521 O - 82 - 4

APPENDIX

H.R. 5702, 97th Cong. 2d sess.

A BILL To prohibit the transfer of the Florida Loan Guaranty Division of the Veterans' Administration from Jacksonville, Florida, to St. Petersburg, Florida.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the administrator of Veterans' Affairs may not carry out the transfer of the Florida Loan Guaranty Division of the Veterans' Administration from Jacksonville, Florida, to St. Petersburg, Florida, as proposed in the report submitted by the Administrator of Veterans' Affairs to the chairman of the Committee on Veterans' Affairs of the House of Representatives of February 8, 1982, pursuant to section 210(b) of title 38, United States Code.

PREPARED STATEMENT OF CONGRESSMAN CHARLES E. BENNETT

Mr. Chairman, I am very grateful for this opportunity to testify before you in support of my bill, H.R. 5702, which would prohibit the transfer of the V.A. Home Loan Guaranty Office from Jacksonville to St. Petersburg, Florida.

I am aware that ordinarily your committee has taken the position that the Administrator of Veterans Affairs should be allowed discretion to relocate and consolidate V.A. offices. But I also know that you take your oversight responsibilities to be extremely important and that you feel as I do that Congress has an obligation to make certain that the transfer of a major V.A. function or the closing of a V.A. office should be cost effective and in the public interest.

At my request, the GAO performed a study of this move based upon a review of the Administrator's report. I ask leave that a copy of that GAO report be made a part of this record. The GAO report has caused the V.A. Administrator to revise his initial cost estimates upwards by almost twice the original amounts. Specifically, when the V.A. said earlier that the payback for the move would occur in 1.7 years, the V.A. now says the payback will occur in 2.8 years. This is almost twice the original figure they provided in their report to this Congress.

The GAO report specifically states that it is not a study of the correctness of the V.A.'s figures and judgments, but is, instead, a study of the reasonableness of the V.A.'s report. If I many quote from the GAO report, "we are generally expressing our views on whether VA's estimates are reasonable rather than correct" (GAO report, p. 2).

The lack of correctness and accuracy of the V.A.'s report must be brought into focus. Together with three witnesses and the statements and analyses I would like entered into the record, I will show this subcommittee that the V.A. report to this Congress is a document which is both inaccurate in its assumptions and unwise in its conclusions.

The V.A. report is composed of statements of assumed costs and benefits which are inaccurate. The V.A.'s original report claimed that savings would result from the move due to reductions in expenditures associated with telephone and teletype use, employee travel, excess personnel, and use of excess space. The first three components of savings constitute a mere 9 percent of the alleged savings, so the last two components—reductions in personnel and reductions in space requirements—are the significant ones.

With regard to the proposed personnel reductions, 27 positions are said to be capable of elimination. However, nowhere does the V.A. indicate what positions are to be eliminated. All the V.A. report says is, "According to the Division Chiefs involved, twenty-seven . . . positions could be eliminated. The GAO was unable to determine which positions were to be eliminated. To quote from the GAO report, "there is much uncertainty about the . . . estimates of positions to be saved due to consolidation" (GAO report, p. 8). Mr. Paul Hazlett's analysis goes so far as to state,

"It is clear that the 27 employee reduction relates to reduced workload. This benefit could be achieved through layoffs or attrition without the expense of relocation."

The GAO found that the space savings claimed by the V.A. could be reduced 88 percent, from $180,000 to $23,000. Subsequent to the GAO report, the V.A. concurred in this (GAO report, Enclosure II). The GAO stated in this regard, "Most of the [space] savings would result from a program of locating files in less costly space outside the [St. Petersburg] Federal Office Building, an action that could be taken irrespective of the proposed relocation" (GAO report, p. 7). I can't imagine a more damaging indictment of the accuracy and correctness of the savings figures forwarded by the V.A. in its report to this Congress.

The V.A. has failed to provide this Congress with accurate, verifiable figures to prove that any reduction in personnel or space can be made. Even the GAO, our own accounting office, has been unable to verify the accuracy of these figures.

Now, let me turn to the cost side of the equation. Everyone agrees that the actual total cost of the move to the V.A. will be some figure greater than one million dollars. What concerns me, however, and what should concern this Congress, is that the most substantial costs that will be incurred have not even been mentioned by the V.A. These costs are the "soft costs" referred to in Mr. Hazlett's analysis and include such costs as those associated with losing the present employees who will not make the move—for example, costs of training new employees and the costs due to lost productivity while new employees are being trained.

Most importantly, however, these "soft costs" include the costs to the citizens of Florida who are most directly involved in the day-to-day operations of the V.A. Home Loan Guaranty Office in Jacksonville. These citizens are the people involved in the mortgage banking and homebuilding industries in the state of Florida, as well as the employees who work each day in the Jacksonville office. This subcommittee is well aware of the opposition which these three groups have expressed against the proposed move.

I am happy to say that each of these groups is well represented at this hearing today and will be able to tell you first hand of the disastrous impact the proposed move will have on their day-to-day operations. I believe they will make quite clear how inaccurate the V.A. report is in its simplistic estimate of the costs associated with this move. I believe that they will demonstrate to your satisfaction that the correct overall costs of this proposed move do not justify the move.

We in Congress have a duty to prohibit a move such as this: unsubstantiated, inefficient, and costly. I sincerely hope that this committee will approve this legislation and prevent the projected unwise move.

DISABLED AMERICAN VETERANS,
DEPARTMENT OF FLORIDA, INC.

Congressman C. W. "BILL" YOUNG,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN YOUNG: As Commander of the Disabled American Veterans Department of Florida, I am writing you on behalf of the 47,000 plus members of our organization here in the state concerning the Veterans Administration proposal to relocate the Loan Guaranty activities of the Veterans Administration from its current location in Jacksonville, Florida to the Veterans Administration Regional Office in St. Petersburg, Florida.

Basically, in the past the Loan Guaranty Division in Jacksonville, which I may add is the only Guaranty Program in the entire country which is separated from the Veterans Administration Regional Office, has handled a peak work load of between 3,000 and 4,000 loan commitments per month, this being in 1978. Presently the Loan Guaranty activity in Jacksonville which employs approximately 140 federal employees is handling less than 600 commitments per month. So you can see from the above figures that there has been a drastic reduction in the amount of the work these 140 federal employees are doing to benefit the veterans and their dependents here in the state of Florida.

I have held numerous discussions with Mr. Carlos Rainwater, the Director of the Veterans Administration Regional Office in St. Petersburg concerning actions that can be taken by the Veterans Administration to better serve the veterans population here in the state. One of the big areas of concern we currently have as an organization is the time lag which veterans are experiencing in having their claims for benefits adjudicated by the Veterans Administration. As you are aware, because of the current federal budget and personnel restrictions, the Veterans Administration is facing a very difficult problem in timely processing applications for benefits. We

feel that with the move of the 140 employees from the Loan Guaranty Division in Jacksonville to the Veterans Administration Regional Office in St. Petersburg, the VA would be in a better position to cross utilize these personnel in the areas which are experiencing back logs in processing. Simply stated, we feel that these 140 federal employees could be better utilized if their services were available in a number of different areas instead of simply in the Loan Guaranty Program which as you can see from the above, has suffered a drastic reduction in work load during the past couple of years.

The information I have reviewed indicates that it will cost approximately $963,000.00 to move these 140 employees to St. Petersburg. However, cost saving projected by the Veterans Administration Regional Office would be $589,000.00 per year which would result in a pay back to the Veterans Administration within 1.9 years.

Using the very conservative figures provided by the General Accounting Office it appears that the cost savings would be $306,000.00 per year, thereby requiring a three (3) year pay back period.

Even if we use the conservative figures supplied by the General Accounting Office, it appears that this pay back figure would not be unreasonable considering the number of additional personnel which would be available to assist in the direct service programs that benefit the veterans and their dependents here in the state of Florida.

Another point of interest for our organization is the current lack of representation afforded to the veterans by our National Service Office in St. Petersburg. At the present time our Service Officers are restricted in their direct representation of our veteran constituents by the mere fact that the Loan Guaranty Division is located a considerable distance from their office. This prevents their direct intervention in the veterans behalf before the Loan Guaranty Division. If the Loan Guaranty Division were relocated to the St. Petersburg Regional Office our claims representatives would be in a much better position to intercede directly in behalf of the veteran when he has problems in either obtaining or repaying VA guranteed loans.

With the current economic situation prevalent here in the state as well as in the nation, our veterans are facing increased problems with meeting their commitments on guaranteed home loans. It appears that if our representatives were in a position to assist these individuals before the Loan Guaranty Division, they could assist the veteran in working out either refinancing or repayment plans which would be beneficial both to the individuals and to the government. Thereby preventing the government from having to take possession of a repossessed piece of property and paying out substantial amounts of money to the current lender, in the event there was a loss on the sale of the property.

As Commander of the Disabled American Veterans Department of Florida, my responsibility is to the veterans and their dependents in the entire state of Flordia and I feel that by relocating the Loan Guaranty Division from Jacksonville to St. Petersburg this division would be in a better position to serve the needs of all veterans and not the very small minority which resides in the greater Jacksonville area.

I do wish to thank you at this time for all your efforts in behalf of all disabled veterans here in the state of Florida and I certainly would appreciate receiving a letter from you setting forth your position on the above matter.

Sincerely,

MARY SCHWARTZ, *Commander.*

DEPARTMENT OF ADMINISTRATION,
DIVISION OF VETERAN AFFAIRS,
St. Petersburg, Fla., August 3, 1982.

Hon. C. W. BILL YOUNG
William C. Cramer Federal Building,
St. Petersburg, Fla.

DEAR MR. YOUNG: I am writing to request your support of the decision of Robert P. Nimmo, Administrator, Veterans Administration (VA), to move the VA Loan Guaranty Division from Jacksonville to St. Petersburg, Florida. The Florida Loan Guaranty Division is the only Loan Guaranty Division in the Country which is not located with its VA Regional Office.

The Florida VARO is located in St. Petersburg, Florida, while the Loan Guaranty Division is in Jacksonville, Florida. This is a separation of 210 miles between the RO and the Loan Guaranty Division.

In Florida, the state's largest concentration of veterans is located in central and south Florida. Of the total veteran population in Florida, less than 15 percent is within commuting distance of Jacksonville, while one-third of all veterans who reside in Florida are within commuting distance of St. Petersburg.

Relocation would improve management's ability to allocate RO resources resulting in improved service to Florida's veterans and their dependents. Being located with the RO in St. Petersburg would give the Loan Guaranty Division direct access to the VA's Target Claims Processing and Inquiry System. Direct access will improve the office capabilities of the Loan Guaranty Division.

In my opinion, the relocation of the Loan Guaranty Division will result in improved services to veterans and their dependents residing in Florida by both the Florida Division of Veterans Affairs and by the VA. Service to veterans and their dependents is the mission of this Division and the VA. Relocation will improve our ability to provide this service by having instant access to the Loan Guaranty Division.

It is requested that you and the members of your committee support the Administrator of the VA plan to move the Loan Guaranty Division from Jacksonville to St. Petersburg.

Sincerely

ROBERT R. ERSKINE, *Director.*

VETERANS' ADMINISTRATION,
REGIONAL OFFICE,
St. Petersburg, Fla., July 28, 1982.

Hon. C. W. BILL YOUNG,
House of Representatives,
Washington, D.C.

DEAR MR. YOUNG: This is in response to a recent telephone conversation about the survey we conducted on July 16 of our Jacksonville employees.

The survey revealed that the professional nucleus of the staff of the Loan Guaranty Division definitely will relocate to St. Petersburg. Of the 113 employees who responded, no supervisors and only two technicians indicated they would not relocate. An informal poll of the 49 employees who are still uncertain of their mobility reveals that in all probability at least half will relocate, and depending on the job market in Jacksonville at the time of the move, up to three-fourths will relocate. This means that at a minimum 71 employees will relocate. The significant factor here is that 67% of the technicians and 93% of the supervisory staff will definitely relocate. We will be able to operate the Loan Guaranty program within all timeliness and quality guidelines after the move with that workforce supplemented by some recruitment of clercial employees. The survey results do not materially affect the projected costs of the move since moving costs are roughly equivalent to the costs of severance pay and unemployment compensation.

A copy of the full results of our survey is enclosed. Thank you for your continuing interest in this important matter.

Sincerely yours,

CARLOS L. RAINWATER, *Director.*

On July 16, 1982, a survey was conducted of Loan Guaranty and Administrative Division employees assigned to Jacksonville in an effort to update our estimates of the number of employees who would probably move to St. Petersburg.

In response to the question, "Do you plan to relocate to St. Petersburg?", the results were as follows:

SURVEY RESULTS, JULY 16, 1982

	Total responses	Absolutely will relocate		Absolutely will not		Uncertain	
		Amount	Percent	Amount	Percent	Amount	Percent
Supervisors	14	12	86	0	0	2	14
Technicians	33	13	39	2	6	18	55
Clerical	55	13	24	14	25	28	51
Position unidentified on questionnaire	11	8	73	2	18	1	9
Total	113	46	40	18	16	49	43

Sample Questionnaire is attached.

RELOCATION QUESTIONNAIRE

Please do not put your name on this questionnaire. This is for information purposes only. Please the following questions to the best of your ability:

1. Do you plan to relocate to St. Petersburg?
a. Absolutely yes.
b. Absolutely no.
c. Uncertain.
Please circle a, b or c above.
2. Please indicate your
a. Occupational series ———.
b. Position title ———.
c. Grade ———.

If you answered absolutely no to question one, do not complete the remainder of the questionnaire. If you answered absolutely yes or uncertain to question one, please respond to the following questions:

3. Do you own a home:
a. Yes ———.
b. No. ———.
c. Approximate selling price ———.
4. What type of living accommodations would you desire in St. Petersburg?
a. Purchase a home ———.
b. Lease or rent a condominium or apartment ———.
5. If your presently have a home mortgage in Jacksonville, please indicate the current interest rate: ———.
6. Do you have children in school below the college level:
a. Yes ———.
b. No. ———.
c. How many ———.
7. Would your spouse or a member of your family require employment assistance in St. Petersburg?
a. Yes ———.
b. No. ———.
c. Type of employment ———.

RANK OF TOP TEN FLORIDA COUNTIES BY VETERAN POPULATION

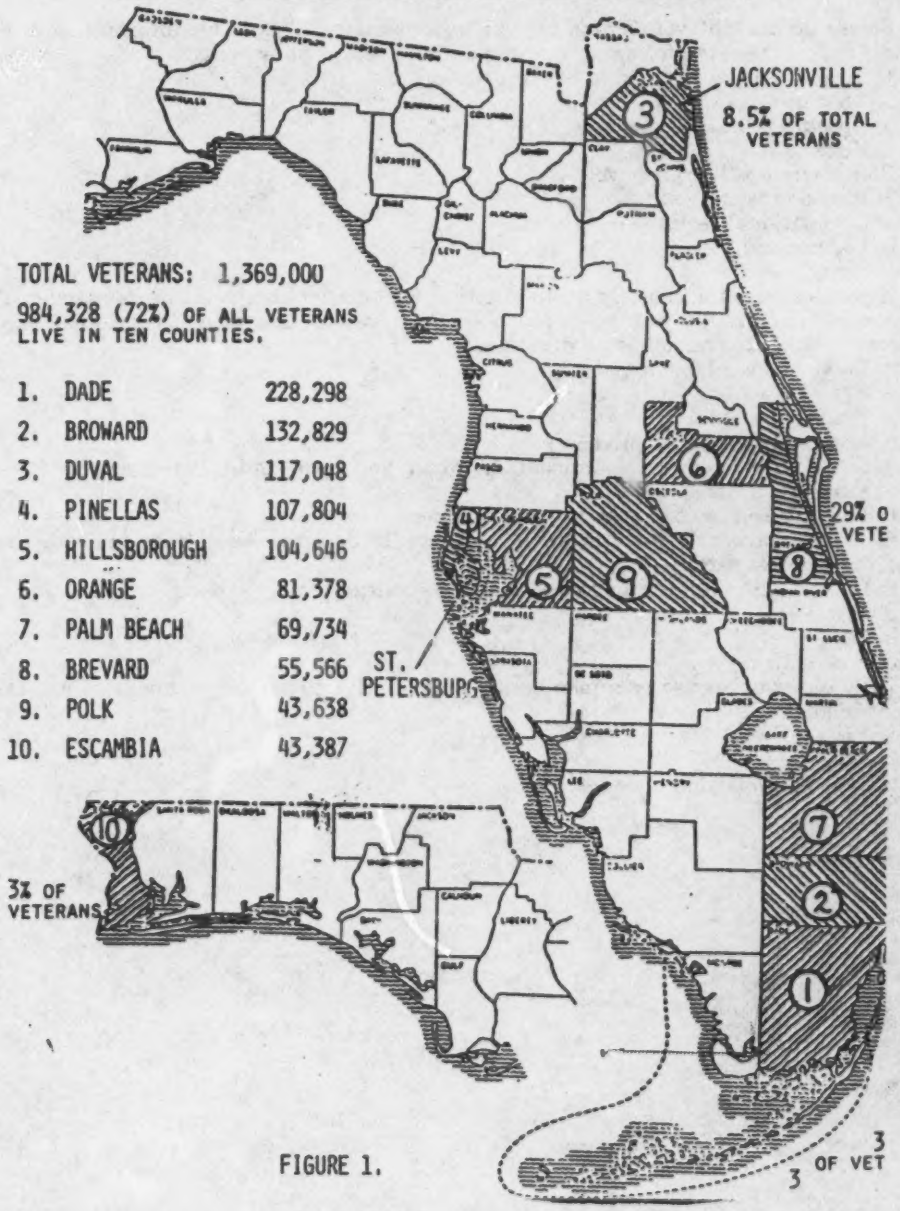

FIGURE 1.

GENERAL ACCOUNTING OFFICE,
Washington, D.C., July 21, 1982.

Re Proposed move of the Veterans' Administration's Florida Loan Guaranty Division from Jacksonville (GAO/HRD-82-85)

Hon. CHARLES E. BENNETT
House of Representatives,
Washington, D.C.

DEAR MR. BENNETT: Your March 23, 1982, letter asked us to review the Veterans Administration's (VA's) proposal to move its Florida Regional Office's Loan Guaranty Division from Jacksonville to St. Petersburg. Before we received your letter, we had made a limited review of the proposed move at the request of the Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations. This report includes data that we had provided to the Subcommittee. It also includes additional data on potential costs and savings relating to the move which VA's proposal did not include. While the summary we provided the Subcommittee mentioned that such costs and savings were not included in VA's proposal, due to time limitations, we did not attempt to quantify them.

We found that VA underestimated the costs and overestimated the savings associated with the proposed move. However, it still appears that the move would result in savings to the Government.

These matters are discussed in more detail below.

INTRODUCTION

On February 8, 1982, VA notified the Congress that it planned to move its Florida Loan Guaranty Division from Jacksonville to its St. Petersburg Regional Office. VA said that relocation would save about $589,000 per year by reducing overhead costs and staffing requirements. VA said the total cost of relocation was about $998,000 and that the relocation costs, net of savings, were included in the 1983 budget. VA provided the Congress with a "Special Study of Possible Relocation of Loan Guaranty Division" which included details on relocation costs and savings. (See enc. I for VA's summary of relocation costs and savings.)

VA reported 136 employees on duty as of February 26, 1982. VA estimated that 5 would remain in Jacksonville after the move and that 36 would leave the agency before the relocation. Of the 95 remaining employees, 60 were expected to move, 10 to retire because of the move, and 25 would be terminated and be entitled to severance pay.

We visited VA's Florida Regional Office and reviewed the data that supported VA's study. We interviewed VA officials and reviewed VA records relating to the proposed move. We also briefly visited the Loan Guaranty Division where we met with VA officials and the president and other members of the union which represents employees of the Division and reviewed data which they provided.

We concentrated on the major items of costs and savings, specifically, (1) severance pay and relocation costs which were about 94 percent of VA's estimated costs for the move and (2) space and salary savings which were about 91 percent of VA's estimated annual savings.

To estimate retirement costs and the costs of employee benefits, we used factors specified by the Office of Personnel Management and the Office of Management and Budget, respectively. To estimate unemployment compensation and lump-sum leave payments, we used data from a July 1981 Congressional Budget Office study entitled "Cost of Potential Layoffs Under the Administration's Federal Employment Reduction Program." The study acknowledged that any estimate of layoff costs is highly uncertain since actual data are not available on the salaries, ages, and years of service of employees who may be laid off. Similar reservations apply to our cost estimates.

It is not possible to determine precisely the costs and savings related to the proposed move. Most costs are based on estimates of the number of employees who will or will not move and how they will terminate employment if they do not move. Most savings are based on management judgment as to the number of positions that would be eliminated if the Loan Guaranty Division were consolidated with the regional office. Therefore, we are generally expressing our views on whether VA's estimates are reasonable rather than correct.

COST OF MOVE

VA estimated costs of $998,210, including $35,000 for relocating records and employees from VA organizations other than the Loan Guaranty Division. Of the

$963,210 related to the Division, $801,000 was for moving employees and $136,000 was for terminal leave/severance costs. The remaining $26,210 was for relocating and installing equipment.

The $35,000 that did not relate to the Loan Guaranty Division should not be included in VA's estimate for relocating the Division. We did not verify the data supporting the $26,210 for relocating and installing equipment because these costs were relatively insignificant.

Terminal leave/severance costs

Employees who terminate employment rather than move are entitled to severance pay based on their years of creditable civilian service. The period of eligibility for severance pay is increased for employees over 40 years of age. Total severance payments may not exceed 1 year's pay. An employee eligible for an immediate annuity is not entitled to severance pay, and severance pay is discontinued if a person is reemployed by the Government.

VA's estimate of $136,000 for terminal leave/severance costs is based on 25 employees receiving an average of $5,440. We were advised that the $5,440 was based on an average of the severance entitlement calculated for 10 employees. However, at the time of our visit, VA could find the calculations for only 3 of the 10 employees. The costs for the three employees did not include terminal leave (lump-sum payments for accrued annual leave).

We estimated average severance pay entitlement for the employees of the Loan Guaranty Division using VA's Quarterly Filled and Vacant Positions Report (a personnel listing) as of December 31, 1981. We excluded employees who appeared to be eligible for retirement or would be eligible for retirement about the time of the proposed move. We (1) used annual salary rates as of December 31, 1981, (2) computed years of service to the nearest year as of October 1, 1982, and (3) added 1 year to the age shown on the VA report. We did not attempt to determine the extent to which periods of military service for which severance pay would not be payable were included in the employees' years of service.

We calculated an average severance entitlement of about $8,800. However, the entitlement varied by grade, and as discussed further, on the basis of the grades of employees less likely to relocate, VA's cost estimate of $5,440 does not appear out of line. For employees in Grade 6 and below, severance entitlement averaged about $4,500 and, based on a union survey of employees,[1] it appears more likely that employees in the lower grades will not move. In addition, employees who receive severance pay may find other Federal employment before their entitlement to severance pay is exhausted.

The number of employees who will receive severance pay cannot be verified, but VA's estimate does not appear unreasonable. Overall, VA's estimate of severance costs appears reasonable.

Lump-sum annual leave payments

Federal employees separated from Government service receive a lump-sum payment for their unused annual leave. The amount is based on the salary received at the time of separation and the number of days of unused leave accumulated.

Employees would be entitled to lump-sum payments for any annual leave accrued at the time they separated from service even if the move did not take place. However, we have included payments for leave as costs of relocating the Loan Guaranty Division because such payments represent outlays that will be made about the time of the move rather than at indefinite future dates.

We estimated lump-sum leave payments by using the Congressional Budget Office's estimated average amount of $1,400 and multiplying it by the 35 employees VA estimated would terminate or retire early rather than relocate. This resulted in an estimated $49,000 for lump-sum annual leave payments.

Moving costs

VA estimated moving costs of $801,000 based on 60 employees moving at an average cost of $13,350. VA officials could not locate the data used to develop the average cost. However, they provided us with data that showed an estimated cost of $13,966 for moving an employee with three dependents from Jacksonville to St. Petersburg. The 13,966 consisted of, $2,440 for temporary lodging for 30 days, the maximum period allowed; $200 for miscellaneous moving expenses, the amount allowed with supporting evidence of expenses for an employee with immediate family;

[1] Our analyses of questionnaire data are based on 63 questionnaire responses provided by the union president. Other data indicate that 64 employees responded. The absence of one response has no significant impact on our analyses.

$2,826 for the transportation and temporary storage of household goods based on the maximum allowance of 11,000 pounds—employees without immediate families are generally limited to 7,500 pounds; $8,000 for expenses relating to the sale of a residence—the maximum allowed is the lesser of $8,000 or 10 percent of the sale price; and $500 for expenses relating to the purchase of a residence—the maximum allowed is the lesser of $4,000 or 5 percent of the purchase price.

About 70 percent of the respondents to the union questionnaire said that they owned homes and less than half of the respondents who said that they would move said they owned homes. However, a greater percentage of employees in higher grades said they owned homes. A high percentage of the higher graded personnel who did not participate (supervisors were not sent questionnaires) in the survey may also own homes.

VA provided us with data on moving expense payments related to people who had relocated to or from the Florida Regional Office. The highest reimbursement was under $13,000.

We were advised by a VA headquarters official that VA does not have data on the average cost to move an employee. The average relocation cost for General Accounting Office employees relocating within the United States is about $10,000.

We believe that VA's estimate is probably high but not unreasonable. However, as discussed later, VA revised its estimate to $10,000 per employee.

Cost of early retirements

Employees are eligible for early (involuntary) retirement if their positions are abolished or transferred to a location outside their commuting area. To retire under early retirement provisions, an employee must be at least age 50 with 20 years of service or any age with 25 years of service.

VA estimated that there would be 10 early retirements resulting from the relocation. VA did not include any cost for these early retirements because retirement benefits are not paid by VA, but rather are paid through the civil service retirement system.

The civil service retirement system incurs additional costs when employees retire early. The Office of Personnel Management has determined that each early retirement creates a liability of 130 percent of the employee's final salary. The additional cost to the retirement system is caused primarily by early retirees receiving immediate benefits, with little or no reduction.

The additional costs to the retirement system for 10 employees would be about $260,000 based on 130 percent of the average Loan Guaranty Division salary as of December 31, 1981.

We did not attempt to calculate additional retirement costs for persons eligible for retirement under normal retirement provisions who might retire earlier than they would otherwise because of the relocation.

Unemployment compensation

Unemployment compensation is payable to Federal employees in accordance with practices of the State in which they reside. The maximum benefit in Florida is $125 per week and a person would have to have earned an average of $250 a week to receive the maximum benefit. VA did not include any costs for unemployment compensation.

The Congressional Budget Office assumed that 92 percent of the employees involved in a reduction-in-force who did not retire would receive average weekly unemployment benefits of $102 for 15.9 weeks. Using the assumptions for the 25 employees VA estimated would terminate rather than move, we calculated an estimated cost of $40,545 for unemployment compensation.

Training costs

We did not attempt to estimate costs for training replacements for persons who terminated employment because we do not know what the future loan guaranty workload will be or the job skills of the terminated employees.

A VA official said that, if the Loan Guaranty Division's workload continues at its present low level, training costs would not be significant.

SAVINGS EXPECTED FROM MOVE

VA estimated that the move would result in annual savings of $589,188, consisting of $355,140 in personnel; $180,543 in office space; and a total of $53,505 in reduced travel, telephone, and teletype costs.

We did not verify the data supporting the savings of $53.505 because the amounts were relatively insignificant.

Space

Most of VA's estimated space savings of $180,543 are attributed to consolidating VA activities in the Federal Office Building in St. Petersburg. Most of the savings would result from a program of locating files in less costly space outside the Federal Office Building, an action that could be taken irrespective of the proposed relocation. We estimate that the space savings applicable primarily to relocating the Loan Guaranty Division would be about $23,000. Thus, VA's estimated savings should be reduced by about $158,000.

Personnel

The largest estimated savings from moving from Jacksonville relates to eliminating 27 positions at an estimated annual savings of $355,140. Some of these personnel savings appeared reasonable. However, others were questionable.

In some cases it appeared that savings could be achieved even if the move were not made. For example, VA estimated that it could save six positions in its telephone unit which handles phone inquiries. Some savings would result from eliminating an unknown number of duplicate calls, e.g., calls to St. Petersburg where people are referred to Jacksonville. However, it appeared that much of this savings will be achieved by reducing the level of service provided (more unanswered phone calls).

An estimated six positions would be eliminated by reducing staffing levels at the regional office and detailing people among the various divisions to accommodate fluctuating workloads. The over 200-mile separation between Jacksonville and St. Petersburg limits VA's ability to detail employees. No specific positions have been identified for elimination. The concept appears reasonable and we have no basis to support or refute the amount of such savings.

In a few cases, the savings represent unrelated functions of less than 1 staff year. For example, one-fourth of a staff year in mail processing. It is difficult to translate such part-person savings into eliminated positions.

To recognize the uncertainty of the extent of VA's personnel savings or their direct relationship to the move from Jacksonville, we have adjusted the personnel savings to reflect what they would be if:

Five of the six telephone answering unit positions were not included because savings could be achieved in the unit by accepting a lower level of service even if the Loan Guaranty Division were not moved (reduction $79,610).

Three of the 6 staff years saved due to improved ability to accommodate fluctuating workload were not included due to the highly subjective nature of this estimate (reduction $35,326).

One of the staff years saved that involved only a portion of several individuals' work was not included because it is unclear what position could be eliminated if only parts of staff years were reduced (reduction $10,235).

The adjustments total $125,171.

VA calculated its personnel savings based on the first step of the pay grade involved and did not include any cost for employee benefits. The Office of Management and Budget estimates that, for calculating the costs of Government Operations, personnel costs should be increased by 26 percent consisting of 20.4 percent for the Government's costs for future retirement benefits, 3.7 percent for the Government's costs for life and health insurance benefits, and 1.9 percent for the Government's costs for workmen's compensation, bonuses and awards, and unemployment programs.

After adjusting VA's personnel savings to reflect the positions we excluded, we calculated personnel savings based on the Loan Guaranty Division's average salaries for the grades involved, excluding potential retirees, rather than the first step of such grades. We then added 26 percent to reflect the costs of employee benefits. These adjustments resulted in an increase of $83,355 to VA's estimate for personnel savings.

OUR ESTIMATE OF COST AND SAVINGS

As previously noted, there is much uncertainty about the (1) actions employees will take if the Loan Guaranty Division is moved and (2) estimates of positions to be saved due to consolidation. Notwithstanding, these uncertainties, we reviewed VA's estimates of costs and savings, made adjustments we considered appropriate, and computed revised cost and savings estimates as follow.

Estimated costs:	
Cost per VA study	$998,210
Plus:	
Cost of early retirements	260,000
Cost of unemployment compensation	40,545
Cost of lump-sum annual leave payments	49,000
Total	1,347,755
Less: Cost related to moving files and consolidating activities already in St. Petersburg	−35,000
Total	1,312,755
Estimated annual savings:	
Savings per VA study	589,188
Less:	
Space savings not attributable to moving from Jacksonville	158,000
Reduction of positions eliminated by move	125,171
Total	306,017
Plus: Additional savings due to using average salaries and including employee benefits	83,355
Total	389,372

The net effect of our adjustments is to extend by about 1.7 years the point at which VA's savings will exceed costs if the Loan Guaranty Division is moved. After our adjustments it would be 3.4 years before the savings from the move equaled the costs of the move. Based on VA's estimate the costs of the move would equal the savings in 1.7 years.

AGENCY COMMENTS

On July 1, 1982, VA commented on a draft of this report. (See enc. II.) VA said that our report basically supports its position. The only difference being the estimated time required for savings to exceed initial expenditures.

VA revised its estimated costs and savings based on our adjustments. However, VA stated that it did not necessarily agree with all our adjustments—especially the $260,000 we estimated for the cost of early retirements. VA also reduced its relocation cost estimate by $201,000 by changing its average employee moving expenses from $13,350 to $10,000. VA said it used our figure of $10,000 per employee because VA does not have data on the average cost to move an employee.

VA's revised costs and annual savings are $1,111,755 and $389,372, respectively. Based on these figures, the savings from the relocation would equal its costs in about 2.8 years.

As arranged with your office, in accordance with our normal distribution procedures, copies of this report have been sent to the Congress; VA; and the Director, Office of Management and Budget. Copies will be made available to other interested parties upon request.

Sincerely yours,

GREGORY J. AHART, *Director.*

Summary of relocation costs and annual savings projection from the relocation of Loan Guaranty Division

Total relocation cost summary:	
Translocation of equipment	$22,535
Installation of telephones	3,675
Terminal leave/severance	136,000
Translocation of employees	801,000
Total	963,210

Related costs:	
Transfer of adjudication files to remote 30,000 square foot location	$20,000
Consolidation of finance and V R & C divisions in the federal office building	15,000
Total	35,000
Annual cost savings:	
Teletype	12,595
Telephone	20,910
Employee travel	20,000
Excess positions	355,140
Space	180,543
Total annual savings	589,188

Source: VA's special study of possible relocation of loan guaranty division (p. 22).

VETERANS' ADMINISTRATION,
Washington, D.C., July 1, 1982.

Mr. GREGORY J. AHART,
Director, Human Resources Division,
U.S. General Accounting Office, Washington, D.C.

DEAR MR. AHART: The findings and conclusions in the May 27, 1982, Draft report, "Proposed Move of the Veterans' Administration's Florida Loan Guaranty Division from Jacksonville," basically supports the Veterans Administration (VA) position; the only difference being the estimated time required for savings to exceed initial expenditures. The General Accounting Office (GAO) made several adjustments to the VA's original cost and savings estimate which resulted in extending the projected payback period from 1.7 to 3.4 years.

Using the figures shown in the GAO report as a guide, the Jacksonville Loan Guaranty Division relocation cost was recalculated. Originally, the average employee relocation cost was estimated as $13,350 per employee. Since the VA does not have data on the average cost to move an employee, GAO's figure of $10,000 per employee was used. This resulted in a reduction of $201,000 for employee relocation expenses.

With the exception of the reduction in relocation expenses, the following chart includes the cost adjustments made by GAO. Other adjustments have been retained although we do not necessarily agree with all of them, particularly the $260,000 addition to "Cost of early retirements."

Estimated costs	
Cost per VA study	$998,210
Plus:	
Cost of early retirements	260,000
Cost of unemployment compensation	40,545
Cost of lump-sum annual leave payments	49,000
	1,347,755
Less:	
Cost related to moving files and consolidating activities already in St. Petersburg	35,000
Cost reduction of relocation expenses based on GAO relocation average	201,000
Adjusted total cost	1,111,775
Estimated annual savings:	
Savings per VA study	589,188
Less:	
Space savings not attributable to moving from Jacksonville	158,000
Reduction of positions eliminated by move	125,171
Plus:	
Additional savings due to using average salaries and including employee benefits	83,355
Total	389,372

Dividing the "Adjusted Total Cost" by the estimated annual savings reduces GAO's estimated payback period from 3.4 years to 2.8 years. Although variations in

cost estimates may be debatable, GAO and VA agree that transferring the Jacksonville Loan Guarantee Division to the St. Petersburg Regional Office will result in savings to the Government.

Thank you for the opportunity to review this report.

Sincerely,

ROBERT P. NIMMO, *Administrator.*

STATEMENT OF HON. LAWTON CHILES, A U.S. SENATOR FROM THE STATE OF FLORIDA

Mr. Chairman, I am pleased to have this opportunity to speak in opposition to the Veterans' Administration's proposal to move the Florida Regional Office's Loan Guaranty Division from Jacksonville to St. Petersburg. The VA plan is, in my view, unjustified in terms of the projected savings to the Federal Government and unnecessary in order to deliver quality service to veteran homebuyers, builders, and lenders in the State of Florida.

For this reason I support legislation introduced in the House of Representatives by Congressman Bennett. I hope the testimony received today will convince the members of this Committee to act promptly and favorably in support of the proposal to maintain the Jacksonville VA loan operation.

In operation since the 1940's, the VA loan office in Jacksonville has gained the well-deserved reputation of providing efficient and quality service to veterans in the State. In addition, the builders and lenders in the State who work to provide VA loan guaranty financing speak highly of the excellent performance of the qualified VA staff in Jacksonville. To allow the move of the loan office to St. Petersburg would disrupt the lives of these trained government personnel and displace many valuable employees. Approval of this effort would also be a disservice to those industries who have worked so well with the Jacksonville office over the years. The Florida Mortgage Bankers Association and the Florida Home Builders Association both oppose the VA plan to move the VA loan office from Jacksonville to St. Petersburg.

The VA's plan to relocate the loan office to St. Petersburg is totally unnecessary to accomplish the mission of the VA housing loan program. The VA justifies its plan because of the projected savings such a move would achieve. The Government Accounting Office (GAO) studied the proposed move and acknowledged that the move would result in savings to the Government. But, GAO admitted, the "VA underestimated the costs and overestimated the savings associated with the proposed move." More importantly, GAO indicated in its report that "it is not possible to determine precisely the costs and savings related to the proposed move."

Mr. Chairman, the uncertainties involved in just how much savings this move will accomplish coupled with the known adverse impacts associated with the relocation plan convinced me to oppose the VA proposal.

We should leave well enough alone. The VA loan office in Jacksonville has served and will continue to serve the interests of the veterans in my State. In my view it makes little sense to move forward with a relocation plan that will disrupt the lives of loyal, highly qualified government personnel with no guarantee that such a disruption will achieve substantial cost-savings to the Government and, more importantly, result in equal-to or better-than existing services to the veteran home buyer.

Again, I urge this Committee to examine the Veterans' Administration's proposal in light of the testimony received today. I stand ready to do anything I can to lend my support to efforts to retain the operation in Jacksonville.

PREPARED STATEMENT OF U.S. SENATOR PAULA HAWKINS OF FLORIDA

There are a number of things that bother me about the proposed move of the Veterans Administration's Florida Loan Guaranty Division from Jacksonville to St. Petersburg.

Foremost among these is the human factor: uprooting the families of loyal, dependable VA employees, and moving them all the way across the state. This means families must establish new homes at excessively high interest rates and sell their old homes in a depressed housing market. It is true that the Veterans Administration has provided for transfer allowances in its reorganization plan. But these allowances are barebone, and do not begin to compensate families for the upheaval caused to their lives.

Another thing that distrubs me is the cost factor. The relocation would cost $1 million dollars. President Reagan is doing everything within his power to reduce unnecessary federal spending. We are facing a budget deficit of more than $100 billion dollars. $1 million may seem like a small sum compared with the billions tossed

around in Washington. But when you are trying to eliminate waste and to save money, you have to start somewhere—and $1 million is a start.

The VA's figures cause me some concern. The VA says the move ultimately would result in cost saving—money saved by the relocation would amount in 18 months to the cost of the move. The General Accounting Office says, however, that estimate is too optimistic. The payback would more likely be achieved in three years. Something else is sadly true: economies made in the name of governmental reorganization have a way of disappearing, with the result that such reorganizations wind up costing more.

In contemplating a move as significant as this, I just want to make sure that all sides are considered and all salient points are examined thoroughly before final action is taken.

PREPARED STATEMENT OF HON. BILL CHAPPELL, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

At the outset, I would like to thank the Chairman from holding hearings on H.R. 5702. I am sure that I speak for many others in expressing my sincere appreciation for your timely consideration of this measure.

As the Members of the Subcommittee may be aware, hearings were held in Jacksonville, Florida on March 15, 1982 concerning the proposed move of the VA Loan Guaranty Office to St. Petersburg. At that time, a Government Accounting Office (GAO) Report was requested to determine the exact amount which would be saved as a result of the relocation. Prior to the GAO Report, the Veterans Administration had claimed that the move would provide $539,000 in annual savings through consolidation and elimination of duplicative services presently administered by the two, separate offices. With the GAO Report final, this amount has now been adjusted to $306,017. However, the cost of the relocation remains close to $1 million; and this expenditure will not be fully recovered for at least three to four years.

When the VA proposed the Loan Guaranty Office relocation in its fiscal year 1983 budget submission, I believed that the estimated cost-savings of such a move had been over stated. For this reason, I cautioned restraint and suggested that a simple "phase-down" of the Jacksonville Office would provide the needed reduction in expenditures and preclude the necessity for Congress to appropriate additional funds for a complete relocation. Further, this approach would not place an undue hardship on VA employees in the Jacksonville office and would allow them to continue serving the veteran community in Florida as they have done since 1946.

Presently, we are facing the largest Federal deficit in our Nation's history; and I cannot see the wisdom in spending almost a million dollars to save just over $300,000. In addition, I believe that it is terribly inadvisable to displace 131 workers in this time of extreme high unemployment.

It is for these reasons, Mr. Chairman and distinguished Members of the Subcommittee, that I oppose the relocation of the Jacksonville VA Loan Guaranty Office of St. Petersburg. The proposed expenditure of funds for this purpose is imprudent and will not contribute to the greater well-being of the veteran community in Florida. To this end, I urge my colleagues to favorably consider H.R. 5702; and thereby prevent the Veterans Administration from implementing its relocation plan.

In closing, I would like to thank the Members of this Committee for reviewing H.R. 5702 and offer whatever assistance I may toward your continued study of this needed legislation.

PREPARED STATEMENT OF PAUL B. HAZLETT, CONSULTANT TO THE NORTHEAST FLORIDA HOMEBUILDERS ASSOCIATION

Mr. Chairman Leath and distinguished members of the subcommittee; thank you for the opportunity to comment upon the relocation of the Florida VA Loan Guaranty Division to St. Petersburg. I hope the following analysis will prove useful in your decision.

INTRODUCTION

In October of 1981, the VA Regional Office prepared a "Special Study of Possible Relocation of Loan Guaranty Division." At the behest of the Northeast Florida Home Builders Association, I prepared an analysis of the VA Study. That analysis quickly highlighted the glaring errors committed in that Study. A subsequent GAO

Report has confirmed the poor quality of the original VA Study by increasing the cost of the relocation over 30 percent and reducing the savings by one-third.

While I generally concur with the methodology and the majority of the findings of the GAO Report, certain areas require additional modification. The vast majority of the savings remaining after the GAO Report now derive from personnel savings, which savings require additional scrutiny. Further, additional costs must by included.

Below I will address these issues. They relate to the sources of the supposed personnel savings, the cost of replacing peronnel who do not move, and the cost of financing the move.

COST OF THE MOVE

Training and Productivity

A questionnaire by the union representing the employees of the Loan Guaranty Division suggests that 57 percent of the trained technical staff will not move. Assuming 41 technical positions, as of this date, that means that approximately 23 employees in technical positions will not move.

The GAO Report on page 6 states that they did not attempt to estimate taining costs. The estimation of training costs is no different than estimating positions which will not be needed after the relocation. Both estimates are highly subjective and difficult to make. However, estimating one, but not the other, introduces significant bias towards increasing the savings represented by the move. Without having access to detailed productivity information and progress history, it is only possible to suggest a methodology to analyze these costs.

For example, when a new employee is hired, he starts at Step one of his grade. Assuming satisfactory completion of the probationary period, the employee is automatically increased one step each of the first three years. The technical staff presently in place is primarily of GS 9 or GS 11 grades. A one step increase equates to approximately 3⅓ percent of the base salary. Therefore, the VA appears to be expecting a 10 percent increase in productivity over the first 3 years as an employee learns the job. A loss of 23 trained technical personnel therefore means the necessity of 2.3 additional positions during the period that these employees are being replaced with 10 percent less productive new employees. Assuming that all technical employees refusing to relocate are replaced with GS 9 employees at an annual salary of $19,477, which equates to $24,541 with benefits, lower productivity will cost the government approximately $56,450.

In addition, on-the-job training is primarily used. There is a 4 month period during which a new employee is not evaluated on the details of his work and is expected to learn the position. Based on previous experience, one can expect that the individual training a new person through on-the-job training will dedicate 25 percent of his time to that trainee. Assuming an average salary of $21,000 per year for the trainer which equates to $26,460 with benefits, and 25 percent of his time over a 4 month period, the training cost per new employee is approximately $2,200 or $50,600 in total.

The additional positions and the training costs add over $107,000 to the cost of the move, which costs are not being counted at this time. They must, of course, be netted against the salaries savings with less qualified personnel, to which date I do not have access. These costs are no more subjective than are the manpower savings estimates. While my estimates are very imprecise given no access to detailed data, they do suggest that it is possible to estimate the cost of training and productivity; I present them to illustrate the inadequacy of the internal analyses.

Two alternatives to the training and productivity expense have been suggested by the VA. The first has all technical positions requiring replacements because employees refused to relocate being filled from other parts of the country. If that is the case, translocation expense must be increased to reflect every position that is being filled from another part of the country since it had been assumed that positions refusing to relocate would be filled in St. Petersburg. Rather than 60 employees moving at an expense of over $800,000, we would now have to count 83 employees moving at an expense of $1,108,000, the additional cost of $308,000 substituting for training costs. As the second alternative, the GAO Report contains the statement, "A VA official said that, if the Loan Guaranty Division's workload continues at its present low level, training cost would not be significant." This suggests that the positions refusing to relocate will not be filled since they are not needed, therefore resulting in no need to train new individuals. As is discussed elsewhere, this is evidence of the true source of the personnel savings being positions that are no longer

needed because of reduced workload. They have nothing to do with savings due to relocation.

As can be seen from this analysis, significant costs in refilling technical positions that do not transfer are being omitted from the analysis. To obtain a true estimate of the cost and savings, these must be included.

Cost of Financing

The GAO Report continues to exclude the cost of financing the move. If this move were not undertaken, it could directly reduce the federal deficit and its required financing. Therefore, it is only appropriate that these costs should be included.

Based solely on the costs listed in the GAO Report and excluding any of the cost discussed above relating to training and productivity, we can calculate the cost of financing the move. Assuming an interest rate of 14 percent on federal debt with medium-term maturities, interest expense would be almost $184,000 per year. The annual savings must be reduced by this amount in order to determine whether the move justifies its expense.

It is my understanding that the GAO assumed a government policy was being followed and that the cost of financing was netted against other savings when the original VA Study was prepared. If this is in fact the case, it should have been done so explicitly; we should have the opportunity to examine the alleged savings against which this cost has been netted. I must conclude, however, that the netting of this expense did not in fact occur given the wildly exaggerated savings we were expected to believe in the original study.

SAVINGS

Savings on personnel represent over 80 percent of the total estimated annual savings after adjustments by the GAO. I will not attempt to discuss the savings other than personnel because they are insignificant.

Personnel savings

The alleged personnel savings are the most subjective and difficult to estimate. In the GAO Report, 13 of the 27 positions to be eliminated are explicitly reviewed. Nine of these 13 positions, or almost ¾ have been discounted. We are not given the opportunity to review the 14 remaining positions, but if the same ratio were to hold, there would be virtually no personnel savings resulting from this relocation.

In considering the source of alleged personnel reductions, it is important to note that the VA itself states in its original study that the present workloan is approximately ⅓ of past levels of loan applications due to the present condition of the housing industry. This is further reinforced by the VA when they state that they do not expect significant training costs if present workload levels continue. The 27 positions to be eliminated represent an 18 percent reduction in the staffing. Given the GAO eliminations of ¾ of the positions alleged by the VA and knowing the present workload level, it is apparent that the staffing reductions represent reductions due to reduced workloads.

The following figures representing employees on duty are very informative: December 29, 1978 142; December 28, 1979 156; December 27, 1980 159.5; December 26, 1981 117.6; and February 26, 1982 136.

After peaking in 1980, employment levels were being adjusted in 1981 to reflect the lower workload as housing sales declined in Florida. Then suddenly, they rise during a low activity period. We must wonder whether positions were created to justify relocation by providing positions to be eliminated.

Any personnel savings are highly suspect, and most likely due to reduced workload. Therefore, these savings could be realized without the expense of relocating the Loan Guaranty Division. Personnel savings should be reduced by at least an additional $186,565, calculated as follows:

Personnel savings after GAO adjustments	$313,324
Positions substantiated by GAO, with benefits	64,571
Suspect savings	248,753
Reduced by three-quarters	×.75
Minimum reduction in personnel savings	186,565

CONCLUSION

The GAO Report has gone a long way towards highlighting the inefficiency of this move. We are still left, however, with certain nagging questions concerning the esti-

mated costs and savings. Using very reasonable assumptions to examine these questions, it is possible to show that the move, at very high cost to the government, could represent no savings. It will solely disrupt a well functioning, productive and respected government operation.

Summarizing my analyses, but excluding any training and productivity expense, the annual savings can be reduced by $184,000 for interest expense, and $186,565 for irrelevant personnel savings. These two reductions alone eliminate the alleged annual net savings. Not only is the already problematic federal deficit increased by the cost of the move, it could be increased in every year following by an annual cost resulting from this move because the annual interest expense exceeds the annual savings.

This move can be seen to be undesirable both from the point of view of efficiency and the provision of better service to the veteran. Long standing relationships between mortgage bankers, home builders, and the Loan Guaranty Division will be irreversibly disrupted. This disruption will increase the expense to the private sector which expense will reduce tax revenues to the government, aggravate the already poor condition of the home building industry and reduce service to the veteran.

[Mailgram]

JACKSONVILLE, FLA.,
August 9, 1982.

Hon. CHARLES E. BENNETT,
House of Representatives,
Washington, D.C.

The Jacksonville Chamber of Commerce, a community-based organization with over 5,000 members, strongly supports H.R. 5702 which would prohibit the proposed transfer of the Jacksonville Home Loan Guaranty Office from Jacksonville to St. Petersburg. We oppose this move for the following reasons:

The VA Loan Guaranty Office has operated in Jacksonville since 1946 and has done so successfully. We are advised that it has normally been ranked in the top 10 percent of similar offices nationally in terms of productivity and effectiveness. The current staff of approximately 125 employees has many years of experience in the lending field. The loss of many of these employees, who will be unable to relocate financially, is certain to have a detrimental effect on the VA's ability to maintain past service standards. The chamber questions whether the loss of these trained individuals was taken into full consideration in the cost savings analysis being used to justify the move. We also wonder whether the accepted figure of $35,000–$40,000 per employee relocated was used in identifying the costs associated with the transfer of personnel. This figure was determined during a recent study by Merrill Lynch Relocation Service.

Jacksonville is the home office for five out of the top ten mortgage banking firms in Florida—SWD, Charter Mortgage, Florida Title and Mortgage, Barnett Mortgage and Tucker Brothers. The proposed relocation will adversely affect their ability to service new and existing VA guaranteed loans. It should also be kept in mind that proximity of the VA office, the FHA state office and these large mortgage banking firms, all in Jacksonville, insures that veterans, and they will be the real losers from such a move, are receiving the most expeditious service possible.

The large concentration of military bases in the Jacksonville area is another factor justifying the retention of the office in Jacksonville. There are currently over 40,000 active duty military personnel and Federal civilian workers associated with the three local bases. A fourth major installation, the Kings Bay Trident Submarine Base, is under development and projections show that this facility will begin a new influx of 25,000–30,000 people to our area by 1990. This buildup will occur at the same time that Naval Station Mayport is anticipating an increase of 5,000–10,000 in its personnel strength.

In conclusion, the possible relocation of the VA Loan Guaranty Office represents a loss of over $2.5 million alone in terms of the employee and dependent salaries involved. At a time of economic downturn, it becomes even more important to our business community to do everything possible to oppose such a loss. Senators Paula Hawkins and Lawton Chiles opppose this move as does Congressman William Chappell. We urge you to do everything possible to get a favorable vote from the Subcommittee on Housing and Memorial Affairs on H.R. 5702. Thank you.

Sincerly,

GERALD L. BARTELS, CCE,
Executive Vice President, Jacksonville Chamber of Commerce.

STATEMENT OF TOM DAVID, JACKSONVILLE, FLA.

This statement is in regards to H.R. 5702 which would prohibit the proposed transfer of the loan guarantee division of the Veterans' Administration from Jacksonville to St. Petersburg, Florida.

You will recall that I was in charge of that program for nearly thirty two years from 1946 to 1977. During that period the headquarters of the program was in Jacksonville. I therefore believe I can speak with some knowledge of its operations and its needs for a future success. During the first few months of its operation it was located in St. Petersburg, Florida, the place where they now want to move it. The first person in charge of the program was an economics professor from the State university. He was also chairman of the Republican Party in this area. He, in his good wisdom saw that the program would operate to the benefit of Florida veterans if it was located in Jacksonville. This move was made from St. Petersburg a few months after its beginning. It has operated in Jacksonville since that date.

I am sure you have seen the study which was made by the regional staff of St. Petersburg and also one made by the General Accounting Office. That study gave no attention to the purpose of the loan guarantee program, as set forth by the Congress. Service to the Florida veteran was ignored. In a hearing before Senator Paula Hawkins recently, the representative of the regional office referred to the program as a "mail order program". This same reference was made in a letter from the White House to you dated June 24th. This is self evidence that these parties do not understand the purposes of the loan guarantee division.

The Veterans' Administration was charged by Congress to see that a veteran received a well built home located in a satisfactory community. This can't be done with a mail order type of operation. In that study great stress was made of the large number of loans made to veterans in the St. Petersburg area. They were not aware of the fact that these loans were made mostly by branch offices operating out of their parent office in Jacksonville.

The loan guarantee division should be left in Jacksonville because:

(1) One of the very largest mortgage companies in the Nation is located in Jacksonville, with branch operations through out the State.

(2) In order for a veteran to get a VA guaranteed loan three other very important parties must enter the picture. They are, the builder, the lender and the realtor. Since Jacksonville is the "Wall Street" for real estate financing in Florida, this is where these parties coverage for financing.

(3) Since the above parties play such an important roll in the loan program, their contacts with the loan guarantee division, located here would be of inestimable value to all parties concerned.

(4) Jacksonville can be reached by air, train or car easier than any other major city in the State. A simple study of the map will show this to be true. A study of schedules for these types of transportation will prove the point still further.

The two areas with the greatest distance involved, the panhandle area and Miami area can, according to published schedules, reach Jacksonville much faster and cheaper than they could get to St. Petersburg.

(5) Another good reason this move should not be made is that the tax payers have just laid down 225,000 dollars to renovate the area now serving the division. The St. Petersburg office has admitted that it will cost 1,000,000 to move the division. If the division is moved out it will surely cost another 225,000 to renovate the area according to the demands of the next government agency. So you are talking about 1,500,000 to be spent on the move when the President is asking his departments not to renovate their offices. I understand that the savings figured by the General Accounting Office was about half of what the regional office figured. No such savings by either can be substantiated and this was proven by an analyst who will, I understand attend a hearing before Congressman Leath's committee.

(6) Mr. Chairman, I would be the last to argue that any agency should be located at any place for the convenience of the employees. I can say to you that I know all of the people involved in this attempt to move the office. I know all the circumstances involved and I say to you that it smacks of politics and empire building, at the expense of the tax payer and at the expense to service to veterans. Also it hurts, needlessly, many small people who can't defend themselves.

(7) People who are trying to build an empire by this move will and have testified that the Florida Loan Guarantee Office is the only one in the Nation that is not located with the regional office. My answer to such testimony is, that, the only time the central office of the Veterans' Administration in Washington ever voted for the most efficient and outstanding loan office in the Nation, the Jacksonville office was elected to that honor. The distance from the regional office does not harm the pro-

gram, it does not add on more cost to the program, it does not reduce the effectiveness of the operation nor does it cause hardship on either the division or the regional office.

(8) Such a move is simply the type of useless waste of money and man power that makes the American citizen think just a little less of his Government. If the Congress wants the Florida veteran to still be served by this program in an efficient manner, then leave it alone.

It is a pleasure for me to submit these facts to you in defense of my beliefs. Would that I could write or speak more effectively against such a move, for the lack of justification is abundant.

PREPARED STATEMENT OF SHERYL BRIGHT, UNION PRESIDENT, LOCAL 1213, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. Chairman and members of the subcommittee, my name is Sheryl Bright and I am the Union President of Local 1213 National Federation of Federal Employees from Jacksonville, Florida.

I represent the Veterans Administration employees in the Loan Guaranty and Administrative Divisions who have been told that they must move to St. Petersburg, Florida, or leave the VA. Because all of us who have careers in one of these divisions are proud of the work we do and what we have accomplished for home-buying veterans in the State of Florida, I have accepted this invitation to present our views to the members of this committee. I would like to make one thing very clear in the beginning. I respect Carlos L. Rainwater who is the Director of my agency. I do not challenge his right to recommend a relocation nor do I misunderstand the reasons behind his recommendation.

This proposal comes at a time when we have to count every penny and pray that no emergency crops up to eat away what little we can put aside. No move is accomplished without expense to the individual. Very rarely are people prepared to move unless it is for a job advancement or the guarantee of future job advancement. We are being asked to give up low interest rate housing, leave our families and friends and a community that most of us grew up in. The Loan Guaranty and Administrative Divisions have been in Jacksonville over 30 years. The employees have homes which are financed at interest rates as low as 5¼ percent. With the low interest rate and low principal balances, the employees will have large equities that will cause them problems. How many buyers in today's market will have the cash? The housing market is depressed and they will end up having to finance the equity themselves in order to get the value out of their property. Without a sizable cash outlay on property acquired in St. Petersburg, the monthly payments for housing will cripple them financially. The principal and interest on a $30,000.00 house at 5¼ percent is $165.66 monthly; at 7 percent, it is $199.60; and the same house at 15½ is $391.36. One of our employees who resigned because of the proposed move did so after going to St. Petersburg and searching for a duplicate of his Jacksonville home. He found an identical house by the same builder on a lot slightly smaller, but in a similar neighborhood. His home had cost $38,500.00 five years ago. The St. Petersburg home was for sale at $135,000.00. While that may be an excellent indication of how well St. Petersburg is doing, it does not hold much hope for our employees being able to live in the homes they have been living in. It will take them years to recoup their losses and drastically high housing expenses will change their entire lifestyles.

The bottom line in this year or in any year is cutting costs wherever and whenever possible. The Veterans Administration can save several million dollars by leaving the Loan Guaranty and Administrative Divisions in Jacksonville. The $300,000.00 estimated yearly savings of the move can be accomplished in Jacksonville without the additional expense. We have already reduced the number of Loan Guaranty employees on board in Jacksonville, which was indicated by our survey which showed 57 percent of the technical staff would not move. The salaries of the employees who have already left amounts to more than the cost savings. Further, measures that would cut costs in Jacksonville include microfilming files to save storage space and computerizing control systems. A tremendous savings could be made in all states, including Florida, if the foreclosure of properties in VA's portfolio could be speeded up by using fee attorneys. I believe in our management personnel and I feel very strongly that they are capable of reducing expenses without spending a fortune to uproot their employees.

In any event, I cannot feel that it is consistent with President Reagan's policy of strict economic control to spend several million dollars without seriously consider-

ing whether every attempt has yet been made to cut costs without the expense and the devastation to the lives of so many VA employees.

PREPARED STATEMENT OF ROBERT M. CARLSON, PRESIDENT, MORTGAGE BANKERS ASSOCIATION OF FLORIDA

Mr. Chairman, Members of the Subcommittee, I apreciate the opportunity to appear before you. I am Robert M. Carlson, President of the Mortgage Bankers Association of Florida. I represent sixty-five lenders in the State of Florida that service mortgages in excess of $11 billion of which $8 billion are residential loans.

While studying the relocation of the Loan Guaranty Office from Jacksonville to St. Petersburg, emphasis has been placed on demographics. Studies have been made on where veterans live in the State of Florida, growth patterns within the State, and where mortgage bankers have their home offices in Florida. The physical location of the VA Office is irrelevant. It does not matter where the Loan Guaranty Office is located. It does not matter if it is in Jacksonville, St. Petersburg, or Miami. According to statistics, there are more veterans living in Southeast Florida than in any other part of the State. This, however, does not warrant moving the Office to Miami. I personally have been working with the VA Office for over twenty years, and my present office is located in Jupiter, Florida, which is 280 miles south of Jacksonville. The distance factor is of no consequence. To further emphasize this point, the Mortgage Bankers Association of Southwest Florida, which encompasses St. Petersburg, Tampa, and Clearwater, just passed a Resolution of August 2, 1982 in support of the Loan Guaranty Office staying in Jacksonville. Even though it would appear that the members of the Mortgage Bankers Association of Southwest Florida would gain the most by having the Loan Guaranty Office in their backyard, they feel this is not the case. They are more concerned with the loss of trained personnel and the fact that Veterans in the State of Florida would not be better served.

The Mortgage Bankers Association of Florida feels that the most important factor at hand is the dramatic disruption of the VA Home Loan Program throughout the State of Florida because qualified personnel presently in the Jacksonville VA Loan Guaranty Office will not be willing or able to transfer to St. Petersburg. The VA Office opened their doors in 1946 and they have an outstanding record of service. They have been one of the five Loan Guaranty offices in the United States for a number of years. They have outproduced larger offices, such as Los Angeles, San Francisco, Denver, and Waco, Texas. The performance standards of the management, technicians, and support personnel all received high marks. It does not make sense to me or the members of my Association that it will be wise to break up a winning team. A 50 percent reduction of personnel in any organization, whether it be corporative, sports, or a government agency, will take years to rebuild.

It has been suggested that by consolidating the two VA offices, there could be utilization of St. Petersburg personnel. On the surfact this sounds good, but in reality it is misleading. To be a qualified credit examiner, a person must have a minimum of five years experience. The same five year experience factor is required for qualified technicians in the construction and valuation department. I question the success the VA would have in finding qualified people to replace the personnel who will not transfer in any new area.

We realize that right now loan activity is at an all time low. However, with the contemplated decline in interest rates and the pent-up demand for housing, the experts all agree that Florida will experience another housing boom when interest rates become affordable. This is another reason that the expert team currently assembled should remain intact.

Under the present system of operation of the Loan Guaranty Office, lenders have accessibility to VA personnel. Their Open Door Policy makes it possible to visit with them to discuss problem loans which results in efficient service, and the Veteran is the one who benefits. It is our understanding that Management in the St. Petersburg Office has a philosophy of no visitors and limitations on telephone calls. We believe this will have a great adverse effect on the Loan Guaranty Program in Florida.

The Mortgage Bankers Association of Florida agrees with President Reagan's budget cuts and his objective of a balanced budget. We are concerned with the cost effectiveness of the move due to a combination of the expense of the initial move itself along with the apparent higher cost of operations, such as cost of living, higher wage base, office space rental, etc.

This whole situation was summed up best by the Homebuilders in Florida: If it is not broken, don't fix it.

I thank you for permitting me to testify, and I will try to answer any questions you may have.

MORTGAGE BANKERS ASSOCIATION
OF SOUTHWEST FLORIDA,
August 2, 1982.

President BOB CARLSON,
Mortgage Bankers Association of Florida.
Jupiter, Fla.

DEAR PRESIDENT CARLSON: I wanted to make you aware that the Mortgage Bankers Association of Southwest Florida passed a resolution today in support of the Loan Guaranty office staying in Jacksonville, Florida.

Even though it would appear that the members of our Association, which encompasses St. Petersburg, Tampa and Clearwater, would gain the most by having the Veterans Administration loan guaranty office in St. Petersburg, we feel that this is not the case.

With the move and the loss of over 50 percent of the trained personnel in the Jacksonville office, the veteran in the state of Florida will not be better served. The inevitable delays in processing a veteran's loan will mean more than loss of time, but a potential loss of money in these highly volatile economic times.

The members of our Association strongly urge the Veterans Administration central office to re-evaluate their decision to consolidate their operations into one central office.

Very truly yours,

PHILIP R. MAHONEY, *President.*

PREPARED STATEMENT OF JOHN J. KOELEMIJ, REPRESENTING THE FLORIDA HOME BUILDERS ASSOCIATION, AFFILIATED WITH THE NATIONAL ASSOCIATION OF HOME BUILDERS

Good morning, Mr. Chairman and members of the Subcommittee. My name is John J. Koelemij. I am a homebuilder in Tallahassee, Florida. I am here today representing the Florida Home Builders Association, which is affiliated with the National Association of Home Builders. I am a past president of the Florida Association and am now serving as Vice President and Secretary of the National Association of Home Builders.

The Florida Home Builders Association is a 12,500 corporate member trade association headquartered in Tallahassee with local HBA affiliates in 27 areas around Florida. The National Association of Home Builders is a 110,000 corporate member trade organization headquartered in Washington, D.C., with over 800 affiliates around the nation.

I am here today to express, in the strongest possible way, opposition to the proposed move of the Florida Veterans Administration Loan Guaranty office from its present location in Jacksonville to the bome of the main VA benefits office in St. Petersburg. We support Congressman Bennett's (D-FL) bill, H.R. 5702, to prohibit this proposed move.

Mr. Chairman, I and other opponents of the move, who include persons from all geographic locations in Florida, question the dollar savings projected from this move and must question even more strongly whether any dollar savings would offset the needless disruption that is going to take place in this highly successful program if its location were changed. I have attached a resolution adopted by the Exec .tive Committee and National Directors of the Florida Home Builders Association protesting this relocation and I know other organizations have adopted similar resolutions.

Before presenting my arguments against the proposed move, let there be no mistake as to how important the VA housing program is to veterans in Florida. Our state has a large and growing veteran populaton and housing statistics compiled by the Florida Home Builders Association indicate that, on the average, one in every four new mortgage loans made in Florida each year is guaranteed by the Veterans Administration. Although we have seen some drop in guarantly activity because of high interest rates, there is no reason to believe the guaranty program will not continue to be a major factor in Florida housing. I fact, veterans and other buyers are particularly dependent on FHA-insured and VA-guaranteed loans in times of a housing downturn because of their fixed interest rate—low downpayment features.

In addition, it has been estimated that 3,000 to 5,000 new veterans move into Florida monthly while there have been projected declines in other states. To be able to adequately meet the housing needs of these individuals and other veterans in Florida, it is important to retain a separate loan guaranty office. The VA has done an excellent job in carrying out the housing entitlement programs offered veterans and has been one of the best federal agencies in terms of service to the consumer and the homebuilder. I would hate to see this excellent track record changed.

There are six major arguments why the industry I represent believes that you should not authorize the proposed move of the VA Loan Guaranty Office from Jacksonville to St. Petersburg.

(1) PERFORMANCE EXCELLENT/NOT NECESSARY

There is no need to move the office from a performance standpoint as the Jacksonville office is doing a superlative job at serving the housing consumer, and has been doing it for the past 30 years.

Let there be no mistake that the VA program in Florida is operating efficiently and successfully in its present location. The staff in Jacksonville is one of the finest, most experienced and dedicated that you will find anywhere in government service.

They do a great job for the veteran homebuyer in Florida and they accomplish this because of a great working relationship with lenders and builders who have come to expect and receive superior performance from the VA staff in Jacksonville. There is not testimony that I am aware of that the performance of the Jacksonville staff has been anything but excellent.

(2) VETERANS SERVED INDIRECTLY

There is absolutely no credence to the thought that the veteran homebuyer in Florida could be better served if the office were in St. Petersburg.

In a June 24, 1982 letter to Congressman Bennett, the White House conceded and I quote, "the day-to-day operation of the Loan Guaranty Division is conducted almost totally my mail and telephone. Actual visits to the office are infrequent and, almost without exception could be handled more efficiently by mail."

Yes, a greater portion of the state's veteran population resides in the St. Petersburg. area as opposed to Jacksonville. But, you have to understand that the loan guaranty program is not one that accomodates walk-in traffic.

The VA loan guaranty program is the only veteran program that does not serve the veteran directly. It works through others who serve the veteran. And this is an important distinction when you consider moving the office from its present location.

Instead, Mr. Chairman, the veteran homebuyer is served by local lending institutions in the areas in which the buyers live. It is the lender who deals, quite easily and effectively, with the main VA office in Jacksonville. The veteran housing population demographics is totally irrelevant as a reason to support this move.

To amplify on this point, I would note that the Florida Mortgage Bankers Association, whose members deal with VA, are on record as opposed to the move. They too understand that the geographic location of the office has no effect on service to the veteran homebuyer.

(3) FINANCIAL CENTER DEVELOPED

Because of the presence of the VA Loan Guaranty office and the regional office of the Federal Housing Administration (FHA), in Jacksonville, that city has developed into a center for major mortgage banking operations. The main offices of the mortgage bankers are also located here.

Many builders and lders, for example, come to Jacksonville frequently to conduct their business wi. VA and FHA on a common trip. Many builders who build under VA housing programs also build under FHA. This proposed move could mean doing business in separate cities and would have a detrimental affect on both homebuilders and homebuyers. I feel that moving the VA office to St. Petersburg would adversely affect the number of builders who deal with VA.

(4) DISRUPT STAFF/TECHNICAL EXPERTISE.

This proposed move will serve to disrupt an excellent VA staff that has developed a high level of technical expertise over many years . . . expertise that cannot be easily replaced.

For example, the average employment span of an underwriter at the VA is 14 years. The average appraiser at VA has been on the job 10 to 15 years. The average

construction analyst, who does very important work in the area of subdivision approvals, has been on the job some 20 years.

The veteran homebuyer in Florida deserves this level of experience but is going to lose it if the move takes place. We have evidence that already the Jacksonville Guaranty Office has lost 18 persons since the proposed move was announced late last year.

But Mr. Chairman, that is only the beginning as indications are that over one-half of the current VA staff will not make the move. We not only lose their technical knowledge and expertise but additional costs to the government are incurred through severance pay, early retirements and unemployment compensation.

And let me appeal to the human side of this experience . . . why should people who have lived and worked in Jacksonville for such a long period of time be asked to uproot their families and move to another city? If nothing else, I would hope the federal government would be more sensitive to what is happening in the mortgage market, and recognize the tremendous burden this move will place on the families involved.

I might also note that many of the VA's most valuable employees in Jacksonville are men and women whose spouses already hold jobs in the area. It would be illogical to expect those persons to move.

Although this move is highly disruptive to the VA Jacksonville staff, the real loser will be the veteran homebuyer who will no longer be served by this high level of expertise.

(5) QUESTIONABLE COST SAVINGS

On the matter of cost savings related to this proposed move, I believe, Mr. Chairman, that everyone must agree that many of the reports are contradictory and that the methods of arriving at the final cost-savings figures are highly questionable.

The General Accounting Office has determined a $1.3 million figure as the cost of the move but our research indicates that a number of other cost factors have simply not been considered.

For example, the reports do not make reference to the cost of retraining personnel. As we mentioned above, this move eliminates some highly-skilled trained personnel.

Now, Mr. Chairman, we must either assume that new people must be trained at some expense or that we will be using people of lesser skills, which again points to the fact that the veteran buyer will not be getting the same quality of service.

Another missing element is the cost of renovating the office space in the main office in St. Petersburg. It is my understanding that bids have been let on this job and that they are estimated to be over $1 million. If this is the case, the cost of this move has almost doubled already.

And what about space in the Jacksonville office . . . the federal building space that will be left vacant. Who will use that space and what costs will be incurred in preparing it for the new users?

We also know that the VA Loan Guaranty Program, if asked to operate in St. Petersburg, will have its files in a "remote" area. We assume that this is private space and we are told that it will be less than the cost of the space in the main VA office. Mr. Chairman, I would like to have some answers about the cost of this space. I know the cost of private rental space in most major cities today and I submit that this could present yet another major questionable element of the estimated cost savings.

It has also been suggested that the cost of staffing in St. Petersburg would be lower than that in Jacksonville. I don't believe that this is the case. If there are savings in this regard, it seems to me they would come at the expense of using workers with fewer skills or of accepting less service than is provided currently.

Mr. Chairman, the final number from the GAO on annual cost savings was $389,000. Again, we question this figure and respectfully request that we not engage in the false economy of spending a million dollars today for a move that truly has highly doubtful cost savings in the long run. Why disrupt a highly effective housing program for cost savings that could prove marginal?

(6) DISRUPT SERVICE

Finally, Mr. Chairman, I think we should look more specifically at the service we are likely to get from the guaranty office if it is moved to St. Petersburg.

One aspect of this so-called "cost savings" was to come about because VA guaranty personnel would be dividing up their reponsibilities between the guaranty program and the other benefit programs.

I believe that this has come about because of an over-staffing situation at the main VA office. I surely hope that we are not disrupting a successful program with great service because of some staffing excesses in another part of VA. That would be a tragic mistake.

Mr. Chairman, I submit to you that this overlapping of responsibilities is the first indication that the veteran homebuyer will be shifted to the back burner here in Florida.

We have heard that the guaranty program, if moved to St. Petersburg, would employ an answering service and that it may take 8 days for the veteran to get a phone call returned. That's a dramatic difference from the quick, timely service that veterans, builders and lenders now get from the VA office in Jacksonville.

And let's talk about builders for a moment since this proposed move directly affects us. Builders have to engage in planning to order to be successful and to provide housing in a timely manner. I would submit that this proposed VA move will seriously disrupt the flow of VA housing in Florida if for no other reason than the time delays that will be inherent in the move.

Mr. Chairman, the VA Loan Guaranty Office as we know it today has been highly service-oriented. We fear this will change if the proposed move takes place, and again, the loser will be Florida's veterans.

In closing, Mr. Chairman, I have not seen any veteran or housing groups supporting this proposed move. The VA is not calling for this move because of a lack of performance from the Jacksonville office. You have not heard complaints from builders, lenders or veteran homebuyers about the location of the Jacksonville Loan Guaranty Office.

However, we do have on record opposition to the move from both United States Senators from Florida—Democrat, Lawton Chiles and Republican, Paula Hawkins. You can see that opposition to the move is bi-partisan. You also have the opposition of the dean of the Florida Congressional delegation, Charles Bennett, and other Congressmen, who have taken a position on the issue.

You have opposition among builders and lenders that transcends all geographic boundaries. Builders in Tampa and Miami and Orlando are equally opposed to this move as well as those in Jacksonville.

Just about everyone agrees it's a bad idea and now your Committee holds the last opportunity to stop this senseless move before it takes place in October. Please do not disrupt the excellent service that has been offered the veteran homebuyer in Florida. And most important, do not allow anyone to try to fix something that isn't broken.

On behalf of the Florida Home Builders Association, I strongly urge you to oppose the proposed move of the VA Loan Guaranty office from Jacksonville to St. Petersburg.

Thank you. I would be happy to respond to any questions you may have.

RESOLUTION

Whereas the Veterans Administration (VA) Loan Guaranty Office currently located in Jacksonville is scheduled to move to the main VA office in St. Petersburg this October; and

Whereas the proposed move will add $1 million to the federal budget deficit and produce only negligible cost savings in future years; and

Whereas 57 percent of the trained technical staff of VA have indicated an unwillingness to relocate, thus producing a time-consuming and costly retraining program; and

Whereas the loss of key technical staff will substantially impair the efficiency of the loan guaranty office and disrupt the guaranty program which is vital to the provision of housing in Florida; and

Whereas the provision of housing and VA-guaranteed for Florida veterans does not depend on the VA office being located in a heavily veteran-populated area since the mortgages are provided through local builders and lending institutions around the state; and

Whereas because of the presence of VA in Jacksonville, that city has become a center for financial institutions specializing in VA-guaranteed mortgages; and

Whereas builders and lenders in Florida have developed an excellent working relationship with VA in Jacksonville and fear that the relationship may be dampened with a disruption in personnel; and

Whereas builders and lenders also fear that by moving the VA office to St. Petersburg that the guaranty program would not receive the priority attention it deserves; and

Whereas the 12,709 corporate members of the Florida Home Builders Association have a commitment to act in the best interests of all builders and housing consumers in the state: Now therefore be it

Resolved, That the Executive Committee of the Florida Home Builders Association and the National Directors of the Florida Home Builders Association meeting in caucus on May 16, 1982 in Washington, D.C. do hereby oppose the proposed move of the VA Loan Guaranty Office to St. Petersburg and will take all steps necessary to prevent such a move.

PREPARED STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION

Mr. Chairman and members of the subcommittee, I am pleased to appear before you today to provide you with the views of the Veterans Administration on H.R. 5702, a bill which would prohibit the transfer of the Florida Home Loan Guaranty Division from Jacksonville to St. Petersburg, Florida.

Mr. Chairman, the Veterans Administration opposes enactment of this bill. On February 8, 1982, in accordance with section 210(b), title 38, United States Code, the Administrator of Veterans Affairs notified the appropriate Committees of the Congress of VA's plans to move the Home Loan Guaranty Division from Jacksonville to St. Petersburg, Florida.

Mr. Chairman, the Florida VA Regional Office is in St. Petersburg while the Home Loan Guaranty Division is in Jacksonville. This relocation will serve to improve service to veterans residing in Central and South Florida, the State's largest concentration of veterans, without reducing the level of service to the Jacksonville area. Of the total veteran population in Florida, less that 15 percent is within commuting distance of Jacksonville, while one third of all veterans residing in Florida are within commuting distance of St. Petersburg.

Additionally, this 200 mile separation requires VA to fund duplicate systems and positions to support the Jacksonville operation. The relocation will improve management's ability to allocate Regional Office resources in response to fluctuating workloads. The distance to Jacksonville makes it impractical to transfer resources to accommodate short-term fluctuations in workloads. As a direct result, the Loan Guaranty Division frequently experiences severe overstaffing or understaffing.

Being located at the Regional Office will give the Loan Guaranty Division direct access to the VA's Target Claims Processing and Inquiry System. Direct access will improve, among other things, the Office's debt collection capability.

Mr. Chairman, the VA's original study concluded that the move would save the VA $589,188 per year. It was estimated that the total cost for the relocation would be $998,210, which equates to a payback period of 1.7 years. The relocation costs net of savings are included as part of the 1983 President's Budget.

Mr. Chairman, since our original study was completed, the proposal has been reviewed twice by the General Accounting Office. The GAO, in its final report dated July 21, 1982, concluded that, although in its opinion the VA may have overestimated the savings associated with the proposed move, the move would result in savings to the Government.

Action to carry out the relocation will begin October 1, 1982. The four sections in the Loan Guaranty Division will be divided into three subelements. Subelements of each section will then be moved at separate times to insure program continuity. Five Loan Guaranty Division employees will be left permanently in Jacksonville to perform field work and provide service to the area. The Jacksonville employees who would be affected were notified in February 1982 of the pending move.

We are well aware that asking employees to relocate will cause some hardships. I assure you that we will do everything possible to make the move as easy as possible.

A recent survey indicates that, at a minimum 67 percent of the technicians and 93 percent of the supervisors will relocate to St. Petersburg. Since the move will be for the "convenience of the Government," the employees will be entitled to payment of up to 30 days in temporary quarters, payment of the cost to move household goods, reimbursement of some fees associated with buying and selling real estate, and other miscellaneous costs. In addition, a task force of St. Petersburg community representatives will help make the move and transition as easy as possible. On July 15, 1982, the Executive Director of the St. Petersburg Area Chamber of Commerce, along with four members of the Chamber, presented a seminar to the Loan Guaranty Division employees covering a general description of St. Petersburg, the school system, the quality of life in St. Petersburg, and an overview of the St. Petersburg economy, with special emphasis on jobs for spouses of relocating employees.

BEST COPY AVAILABLE

Employees electing not to relocate will be eligible for severance pay, payment for accrued annual leave, and unemployment compensation in accordance with the laws of the State of Florida. We also plan to assist those who cannot move in finding appropriate employment with the Federal Government in the Jacksonville area. Jacksonville has a large concentration of Federal jobs, primarily in the Department of Defense, and the potential for continued employment is excellent for employees who are unable to move to St. Petersburg.

Mr. Chairman, to conclude, we fell it appropriate to ask, "What will all this mean?" In the short term, we believe there will be some minor disruption of service while the move is in progress; however, Loan Guaranty operations will not be closed down for even 1 day. In the long term, service to veterans, lenders, and other program participants will improve at a reduced cost to the taxpayer.

Mr. Chairman, for the reasons stated above the Veterans Administration opposed enactment of H.R. 5702. This concludes my prepared remarks. I will be pleased to respond to any questions you or the other members of your Subcommitte may wish to ask.

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